

## Country profiles on the housing sector



**Belarus**





UNITED NATIONS  
ECONOMIC COMMISSION FOR EUROPE

COUNTRY PROFILES  
ON  
THE HOUSING SECTOR

**BELARUS**



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## *FOREWORD*

The country profiles on the housing sector are intended to assist Governments of countries with economies in transition to improve the performance of their housing sectors and at the same time promote sustainable development. The reviews analyse trends and policy developments and make an overall assessment of the political, economic and social framework of the housing sector. This work was initiated by the United Nations Economic Commission for Europe (UNECE) Committee on Housing and Land Management in the early 1990s, in response to requests from UNECE member States.

The studies are requested by member States and carried out by international teams of experts in cooperation with governmental bodies, other international organizations, non-governmental organizations, local authorities and the private sector. Through a process of broad consultations, the experts undertake a comprehensive review of the housing sector and develop recommendations to help policymakers draft strategies and programmes.

This country profile on the housing sector of Belarus, prepared at the request of the Ministry of Architecture and Construction, is the twelfth in the series published by the Committee on Housing and Land Management. The country profile programme continues to emphasize in-depth analysis and policy recommendations, but also focuses on specific challenges or achievements within the housing sector that are of particular concern to the country under review. In the case of Belarus, these issues are land administration and spatial planning, decentralization and a more active role for the private sector. This country profile report puts forward a set of policy recommendations. Their timely and effective implementation is regarded as crucial to meeting the challenges that Belarus currently faces.

I would like to thank the international and local experts who contributed to the preparation of the country profile as well as the Governments that provided funding for its development. I invite all those with an interest in the country's housing sector – policymakers and legislators, government officials, academics, non-governmental organizations and other national stakeholders, as well as international organizations, lender and donor organizations, technical assistance agencies and private sector investors, to make full use of the information and recommendations contained in the study. They can serve as a framework for future action, and can help shape programmes at the national and local levels.

Finally, I would like to stress the relevance of the country profile reviews as unique instruments for UNECE countries to share experience on housing and land management issues, to compare trends and gain knowledge from different practices, to adopt policies and planning tools, and to learn about actions implemented. I therefore trust that this exercise will continue to prove itself to be a practical policy tool that all the stakeholders concerned can use to address the development challenges related to the housing and land management sectors, most particularly in countries in transition and emerging economies.



Ján Kubiš  
Executive Secretary  
United Nations Economic Commission for Europe



## *PREFACE*

This country profile on the housing sector of Belarus was requested by the Ministry of Architecture and Construction and began with a preparatory mission by the UNECE secretariat in May 2007. A research mission by the international expert team was carried out in July 2007. The project's expenses were covered by extrabudgetary funds provided by the Governments of the Czech Republic, the Netherlands, Slovenia, Sweden and Switzerland. The successful conclusion of the project would not have been possible without this generous support.

The previous studies in this series include Bulgaria (ECE/HBP/101, published in 1996), Poland (ECE/HBP/107, 1998), Slovakia (ECE/HBP 111, 1999), Lithuania (ECE/HBP/117, 2000), Romania (ECE/HBP/124, 2001), Republic of Moldova ((ECE/HBP/125, 2002), Albania (ECE/HBP/130, 2003), Armenia (ECE/HBP/132, 2004), Russian Federation (ECE/HBP/131, 2004), Serbia and Montenegro (ECE/HBP/139, 2006) and Georgia (ECE/HBP/143, 2007). Previous work carried out by UNECE in Belarus includes an Environmental Performance Review (ECE/CEP/129, 2005). Three other UNECE publications related to housing may also prove useful to Belarus and other countries in transition: (a) *Guidelines on condominium ownership of housing for countries in transition* (ECE/HBP/123, 2003); (b) *Housing finance systems for countries in transition: principles and examples* (ECE/HBP/138, 2005); and (c) *Guidelines on social housing: principles and examples* (ECE/HBP/137, 2006). This country profile and the other publications mentioned above are available on the Committee on Housing and Land Management website (<http://www.unece.org/hlm/welcome.html>).

# ***ACKNOWLEDGEMENTS***

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The international experts provided inputs on their above-mentioned areas of expertise. Although mainly drafting one specific chapter, parts of their work have been allocated to different chapters for better cohesion and clarity. The legal framework has been fully incorporated as appropriate. The final publication is considered to be a joint result.

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## LIST OF ABBREVIATIONS AND ACRONYMS

BYR	Belarusian roubles
Ci	Curie (unit of radioactivity)
CIS	Commonwealth of Independent States
GDP	Gross Domestic Product
ha	Hectare
IRUP	Institute of Regional and Urban Planning
JKKH	Service enterprises
k <sup>2</sup>	Square kilometre
m <sup>2</sup>	Square metre
NCA	National Cadastral Agency
NGO	Non-Governmental Organization
SSISO	Integrated Spatial Organization of the Republic of Belarus
UNECE	United Nations Economic Commissions for Europe
UN-Habitat	United Nations Human Settlements Programme
ZhSK	Housing construction cooperative



## *EXECUTIVE SUMMARY*

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This summary provides an overview of the housing and land management situation in Belarus, covering the main characteristics of the sector and advancing some policy recommendations.

Urbanization in Belarus follows common regional patterns and world trends: the urban population is increasing (currently more than 73 per cent of the total population, as opposed to 57 per cent in 1981), and the main growth is registered in the capital city of Minsk, home to nearly one fifth of the total population of the country. Migration is linked to the opportunities offered in urban areas by the development of industry and services and better living conditions.

There are several signs of a positive attitude shown by the Government of Belarus towards the housing and land management sector, including a number of reforms and by-laws. In line with similar experiences in the region, the country's housing and land management system has to respond and adapt to post-Soviet period needs as well as political and institutional restructuring. For instance, privatization of housing was one of the first ways to gradually improve the well-being and living conditions of the people of Belarus. Passed in 1992, after several amendments, the Law "On the Privatization of Housing Stock in the Republic of Belarus" (1992, with amendments and additions) allowed the Government to allocate housing space to citizens. As of 1 January 2008, privately owned housing stock accounted for 84.4 per cent, as compared to 53.5 per cent in the early 1990s.

Despite a general tendency to align themselves with regional development patterns and reforms, current trends and policy orientations in the housing and land management sectors need to be stronger to achieve the full and effective participation of all stakeholders in or affected by the housing sector, including a more proactive involvement of the private sector. The decentralization of decision-making is also necessary to involve local authorities and administrations, which is a crucial aspect in this regard.

In general, the Government and its ministries should loosen their regulatory functions and increase facilitation and monitoring of relations and interchanges between the public and private sectors. Hence, the know-how and experience acquired in regulatory frameworks should be applied more in the monitoring phases of projects to check the different actors' compliance with laws and rules. The rule-setting functions of the Government should be relaxed and decentralized to allow for decision-making at the local level, while facilitating and monitoring the interactions between the different actors (including non-governmental organizations (NGOs) and the private sector) involved in housing and construction businesses.

The two lead ministries on issues pertaining to housing and land management are the Ministry of Architecture and Construction and the Ministry of Housing and Communal Services, but in addition a number of other ministries and committees are involved in this policy area, leaving only a limited role and reduced number of tasks for local-level authorities. Overlaps of responsibilities at the highest levels and the limited decision-making powers of the local structures prevent the system from being more effective and flexible.

The work of local and regional governments (rayons and oblasts) should therefore be given greater scope and more independence for formulating and implementing housing policies. The current "top-down" approach discourages actors at the municipal level, who are mere executors of decisions taken at higher levels, and therefore cannot translate their knowledge and hands-on experience of local realities in effective and responsive policies and plans. More decentralization and a clearer division of responsibilities, coupled with a strengthening of interministerial cooperation, would benefit all levels of the decision-making system in the sector.

The State is the main actor in the housing and construction sector. Construction activities are implemented by the State through State-owned construction companies. As a consequence of a government-led market and centralized decision-making as well as restrictions on the roles of NGOs and the private sector, those two actors play a limited role in policymaking and the implementation of decisions. Their lack of participation does not enhance the transparency of processes and also discourages foreign investors. Similarly,

local investors would be more motivated if the system could guarantee the participation of more – and more diversified – actors at the local level. Thus the construction industry should be decentralized and opened up for participation on a competitive basis.

Belarus is aware of the importance of this sector and its impact on the well-being of the population, as well as for the health of other sectors. Housing policy is one of the Government's priorities. Its main goal is to provide each household with decent, affordable and qualitatively standard housing. Due to the change in tenure preferences and the efforts of the State to increase the responsibilities and financial involvement of owners and tenants, the policy is directed mainly at supporting homeownership tenure. This reorientation is perceived as the starting point for a transition from a State-rental housing model, where the State is responsible for construction and maintenance of the housing stock, towards a market-based housing model, where most of the construction costs are paid by the population (homeowners) and where market-based housing finance could gradually substitute for State subsidies.

In spite of the high level of homeownership produced by mass public housing privatization (84.4 per cent of housing stock as of 1 January 2008) and the dominance of homeownership tenure in new housing construction, the housing finance structure in Belarus is still heavily oriented towards the public sector and the role of private investment and market-based housing finance remains a minor one. The systems of housing finance, housing construction and housing maintenance, modernization and management are dominated by State entities, i.e. by State-owned companies and banks.<sup>1</sup>

The dominant role of public entities in housing construction and finance does not substitute a well-functioning market, and discourages the private sector from its further involvement. The positive macroeconomic development and drop in inflation should go hand in hand with an increased role for and participation of the private sector. However, both private housing development and private housing finance are relatively underdeveloped in Belarus. In both fields, competition is missing and private developers face complex regulations and bureaucracy. Banks face low liquidity (especially for long-term deposits) and high credit risk (due to an inappropriate legal framework). Under such conditions, the private sector cannot outperform the public one, and no private savings can be realized.

Some positive trends in the housing sector are nonetheless being seen in the country. While the typical Soviet-period flat is characterized by very small size and poor planning, after 1990 flats became bigger and more comfortable, reaching an average size of 55.7 m<sup>2</sup> by 1 January 2008. In the Minsk region, about 19,500 people work on housing maintenance in local government structures, and about 11 per cent of the Minsk regional budget is spent on housing maintenance. Housing maintenance polices can be described as well developed and comprehensive. At the moment, the country does not have significant illegal settlements or illegal constructions.

On 14 June 2007, the President of the Republic of Belarus issued Directive 3, which addresses sustainable livelihood and savings as keys to ensuring the economic well-being of the nation. Activities to implement this Directive include: (a) energy audits for heat supply schemes in buildings and the installation of individual devices for heat and hot water supply in residential housing; (b) the amendment of technical regulatory legal acts towards energy-efficient method of performing building design and construction; and (c) an extensive use of domestic energy- and resource-saving structures, tools and materials.

A comprehensive Programme on Energy Asset Modernization, Energy Efficiency and Use of Local Fuels 2006–2010 aims at the economic and rational use of energy in the construction sector. Already in 2007, 270,000 m<sup>2</sup> of housing stock had been selected for retrofitting to increase energy efficiency.

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<sup>1</sup>The National Bank the Republic of Belarus controls the whole banking system; however, it does not intervene in the activities of commercial banks. Commercial banks can be State-owned, private or mixed. In this report, the term “State bank” is used to refer to a commercial bank where the State owns over 50 per cent of the shares.

The greater challenges in terms of energy efficiency are posed by the mass social housing dating from the 1960s and 1970s. These involve serious problems in terms of insulation, the poor quality of materials and structural design defects.

As of 1 January 2008, 717,500 people were registered as in need of improving their living conditions, according to available data. Although the State is providing housing, the demand is still greater than the supply. Demand for subsidized housing is increasing in Minsk and the Minsk region. The average time spent by people on waiting lists can reach 18–20 years in the big cities, making these lists of very limited practical use. In the period 2000–2007, the cost of housing grew at a rate exceeding the rate of inflation, and the price of housing services (maintenance of residential housing, hotel and hostel services) grew 100 times, as compared to an overall increase in consumer prices of only 7.6 times. Increases in the costs of heating, housing maintenance and electricity were the highest. Housing and utility costs have grown relative to household consumers' expenditures, from 3.0 per cent in 2000 to 7.4 per cent in 2007.

Moreover, since 1999 the State is no longer building social housing. Given the many people still in need of housing and the long waiting lists to access loans, government policies should focus on the need to produce alternatives and more diversified financial options as well as to strengthen the social housing sector. Policies for energy efficiency should be also further bolstered and encouraged, both as a way to retrofit buildings but also as part of a general approach aiming at energy savings, cleaner fuels and reducing reliance on oil and gas imports.

There is still an “affordability” gap between those households that received generous economic subsidies in the form of “giveaway” public housing privatization and those that have to repay the loans – albeit though with below-market interest rates – for purchasing a flat. So-called soft loans (loans with below-market-level interest) for the purchase of owner-occupied housing are extended only by the two dominant banks. Such loans constituted 72 per cent of overall outstanding housing loan balance in April 2007. The subsidy system should be reformed to avoid long waiting periods for low-interest credit. Subsidy eligibility should be modified (in particular, eligibility criteria should be clearer) and transparency in allocation of loans increased.

The system of housing finance as a whole is clearly only at the halfway point between being State-based and market-based, and it is still biased towards public financing. This is especially true when one takes into account who manages and maintains housing, who constructs new housing and who extends credit for purchase. The level of subsidies is comparatively high, especially when taking into account economic subsidies (house privatization), cross-subsidies (during management and utility consumption) and the implicit guarantees for performance enjoyed by State companies and banks.

In general, to overcome these problems, a reform of the subsidies should be undertaken to make them immediately available, and also by allowing private banks to issue them. These actions would increase the sources of loan financing and the participation of private capital in the housing sector. Thus, the development of a competitive banking sector should be supported. The liquidity of banks could be improved by opening up the banking sector more widely to foreign capital and money channels so long as this was accompanied by strong regulatory frameworks. Further legislation on mortgage banking, and possibly also setting up a system of housing savings, could also improve the present situation. The draft Law “On Mortgage” (2008), envisaged to enter into force in 2009, will, if properly implemented, also facilitate a move from housing loans to classic mortgage loans.

More intensive private sector involvement would also benefit the land administration system and spatial planning. The present study concludes that more efficient use of land resources and increased private capital for agriculture and industry development are necessary steps to liberalize the land market. This would generate additional income, which could contribute to the development of infrastructures, including social housing. In line with the above, restrictions to foreign land ownership should also be abolished, a practice that at the moment hinders foreign investment.

In general, land administration could be improved by reforming the taxation systems, clearly defining real property rights and facilitating real property formation procedures. E-land administration would further facilitate the process.

As with housing, the influence of national policy overrules local needs. Empowering local administrations to decide on local plans and their implementation would improve local quality and acceptance of planning measures. To diversify its approach, the Government should also make use of those urban planners who work in private practice, and should consider different development options and solutions.

In addition to the private sector, other stakeholders need to play stronger roles. Participation should be encouraged, not discouraged. For instance there are few incentives for homeowners to establish homeowners' associations. Existing legislation is not compulsory; in fact, the associations are set up almost exclusively in new apartment houses, and only a very few exist in buildings with privatized dwellings. The creation of homeowners' associations should become mandatory.

The opening-up of the housing and land management sectors to private operators does not and should not bring deregulation. On the contrary, a system should be put in place for the Government to guarantee the broadest possible participation, to monitor the interactions that take place according to the new rules and to respond to emerging needs.

# *Chapter I*

## *SOCIO-ECONOMIC TRENDS AND HOUSING POLICIES*

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### **A. General information**

#### ***Geographic situation***

The Republic of Belarus is located in the eastern part of Europe. It is bordered by Poland to the west, Lithuania to the north-west, Latvia in the north, the Russian Federation in the north-east and east, and Ukraine in the south. It covers an area of about 207,600 km<sup>2</sup>. One of the main communication lines of Eurasia, as well as the shortest routes from the Russian Federation to Western Europe and from the Baltic to the Black Sea, run through Belarus. This favours the development of transport and economic relations.

Belarus has four distinct geographic regions: the north is an area of lakes, hills and forests; the west an agricultural region with mixed-conifer forests; and the east a broad elevated plain. The south features the Polesye (also known as the Pripyat or Pinsk marshes), a lowland area of rivers and swamps that extends into Ukraine.

The country's terrain is generally flat and offers favourable conditions for farming. As of 1 January 2008, agricultural land accounted for 43 per cent of the territory and forests represented 39 per cent. There are more than 20,000 rivers and creeks and about 11,000 lakes in Belarus. The Dnieper is the longest river (stretching 700 km through Belarusian territory), and Naroch the largest lake (about 80 km<sup>2</sup>).<sup>2</sup>

The climate of Belarus is moderately continental with mild and humid winters, warm summers and moist autumns. It is favourable for growing cereal crops, vegetables and fruit trees and bushes, as well as for cultivating potatoes.

#### ***Political system***

The Republic of Belarus became an independent sovereign State in 1991 after the

dissolution of the Soviet Union and became a presidential republic in 1994.

The President is the Head of State and is elected directly by the people for a term of office of five years according to the constitution. The Parliament or National Assembly is the representative and legislative body of power. It consists of two chambers: the House of Representatives and the Council of the Republic. The Council of Ministers of the Republic of Belarus is the central body of State administration. The courts exercise the judicial power.

Administratively, the country is divided into two levels of government, national and local.<sup>3</sup> The local level has three sub-levels: (a) the level of the six regions or oblasts (Brest, Vitebsk, Gomel, Grodno, Minsk and Mogilev) and the capital city of Minsk; (b) the level of basic administrative districts, called rayons (118) and cities of oblast subordination (12); and (c) the municipal level, which includes villages, townships and the like (totalling 1361 administrative-territorial units). Each of these levels has both an executive committee and a council.

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<sup>3</sup> Law "On Local Government and Self-Government in the Republic of Belarus" (1991).

Article 9: *Executive Committees*. An Executive Committee vested with the rights of a legal entity shall be the executive and administrative body on the territory of a region, district, township or a village council. Executive Committees of the primary (village, township, municipal [towns of district subordination]), basic (municipal [towns of regional subordination]), district) and regional levels shall be part of the system of executive bodies and shall be the bodies of local government.

Article 12: *Councils are the main elements in the system of local self-government*. Councils shall be the representative State bodies on the territory of the relevant administrative-territorial entities of the Republic of Belarus and the main elements in the system of local self-government. There are Councils of three territorial levels in the Republic of Belarus: primary, basic and regional.

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<sup>2</sup> "About Belarus", United Nations Belarus website (<http://un.by/en/aboutbelarus/>), accessed 12 December 2008.

Minsk lies geographically in the middle of Belarus and contains about one fifth of the country's population. It is the largest political, economic, scientific and cultural centre and has the special status of an independent administrative and territorial unit.<sup>4</sup>

### *Overall economic development*

Belarus inherited from the former USSR a developed industrial sector and an educated labour force at the time of its independence in 1991. It possesses favourable conditions from economic, geographical and geopolitical points of view, which has made it attractive to foreign investors.

Economic growth in Belarus has been steady and sizeable since 1996 following an estimated decline close to 40 per cent during the period of recession (1992–1995). During the period 1996–2000, real gross domestic product (GDP) grew at an average annual rate of 6.3 per cent. From 1999 to 2002, real GDP growth was moderate. Compared to 2002 figures, real GDP growth accelerated to 7.0 per cent in 2003 and reached 11.4 per cent in 2004. In 2007, real GDP grew by 8.2 per cent (see table 1 and figure I).

Since the early 1990s, Belarus has had an unstable currency and high inflation. This high inflation is a reflection of loose monetary policy, which has resulted in periodic and pronounced variations in exchange rates. However, the high inflation and rapid exchange rate depreciation subsequently declined due to policy improvements. According to a report of the World Bank, inflation fell from a three-digit number in 2000 to 18.1 per cent in 2004 due to a tighter monetary policy pursued by the National Bank of the Republic of Belarus, as well as the unification of the exchange rate and the related stabilization of the market for foreign exchange.

The energy sector has played an important role in supporting the economic recovery of Belarus. However, owing to the fact that the country has limited indigenous energy resources, it is heavily dependent on the Russian Federation for its energy supply. Belarus has enjoyed preferential energy prices for gas, crude oil, and electricity imported from the Russian Federation, which has enabled the country to provide affordable and sufficient energy to the national economy. The Russian Federation's recent actions to introduce market-based prices for its energy exports to European countries have also resulted in cutting off the energy price privileges that Belarus enjoys. Given the importance of the energy sector to the country's economic growth, the energy price hike could eventually generate an economic slowdown.

<sup>4</sup> The Minsk City Council possesses the rights of a basic and a regional council. The cities of regional importance (seven cities) are governed by the district- and municipal-level executive committees only.

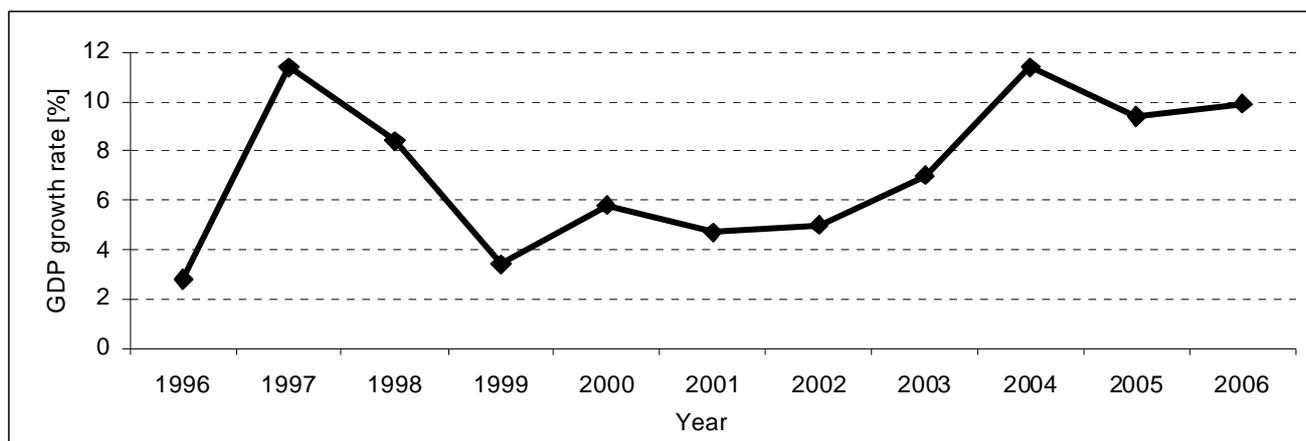
**Table 1. Gross domestic product of Belarus**

	Gross domestic product													
	1990	1995 <sup>1</sup>	1996	1997	1998	1999	2000 <sup>2</sup>	2001	2002	2003	2004	2005	2006	2007
GDP at current prices (in 10 <sup>9b</sup> roubles)	0.04	121.4	191.8	3668.3	702.2	302.6	9.1	17.2	26.1	36.6	50.0	65.1	79.2	96.1
GDP at constant prices (% of the previous year)	no data	90	103	111	108	103	106	105	105	107	111	109	110	108

<sup>a)</sup> Data are given in terms of the 1994 denomination (1 new rouble is equivalent to 10 old roubles).

<sup>b)</sup> In terms of the 2000 denomination (1 new rouble is equivalent to 1,000 old roubles).

Source: Ministry of Statistics and Analysis of the Republic of Belarus, 2007.

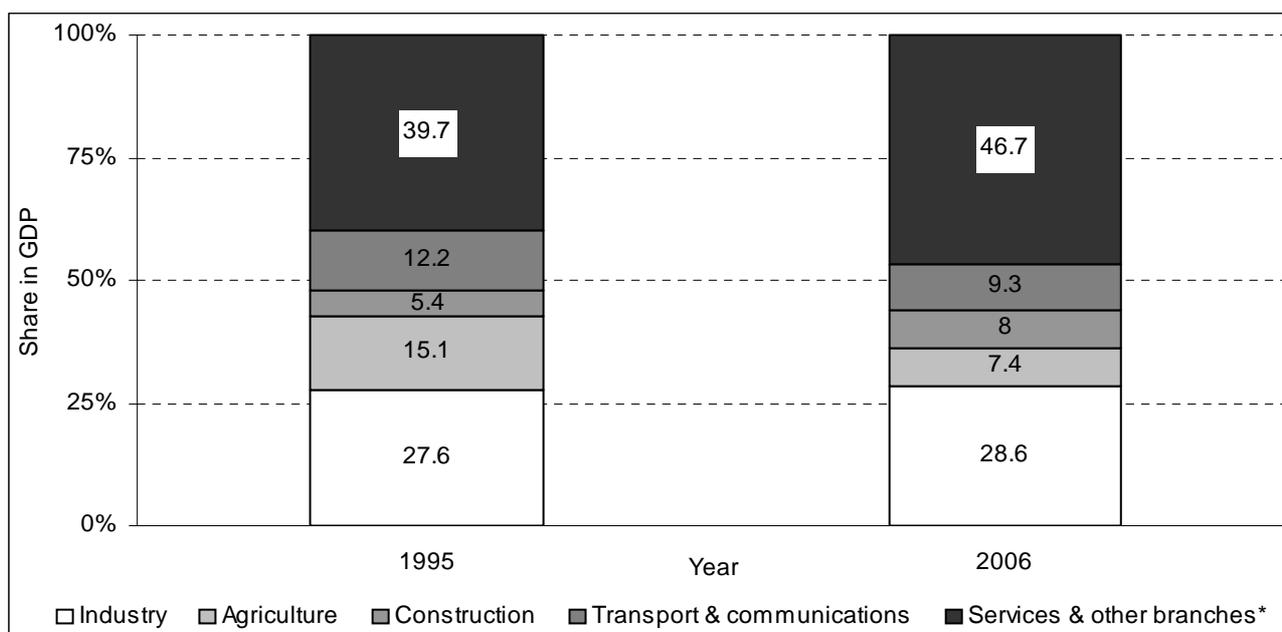
**Figure I. Gross domestic product growth rate at constant prices**

Source: Ministry of Statistics and Analysis of the Republic of Belarus, 2007.

Industry is a critical sector of the Belarusian economy and continues to contribute the most to economic growth. This sector has a share of 26.7 per cent of GDP output and it provided nearly 26 per cent of overall employment in 2007. Output from the industry sector has experienced steady growth since 1990, except during the three-year recession period. The peak of growth came in 2004, when it grew 15.9 per cent. According to the Ministry of Statistics and

Analysis, industrial output was up by 8.7 per cent in 2007.

In the agricultural sector, the output share in GDP dropped from 15.1 per cent in 1995 to 7.4 per cent in 2007. Compared to 2006, agricultural production rose 4.4 per cent in 2007. This sector's share in total employment was 9.9 per cent in 2007, down by almost half from its share in employment of 19.1 per cent in 1995 (figure II).

**Figure II. Sector output as percentage of gross domestic product, 1995 and 2006**

\* Including taxes.

Source: Ministry of Statistics and Analysis, 2007.

### ***Impact of the Chernobyl accident***

The Chernobyl accident on 26 April 1986 is considered to be the worst nuclear power accident in history. Belarus was the country most affected by the explosion. The most contaminated oblasts were Gomel, Mogilev and Brest, where up to 70 per cent of the total fallout was deposited. Approximately 23 per cent of this territory was contaminated, with more than 1 Ci/km<sup>2</sup> caesium-137. About 2.2 million people lived in these areas, representing one fifth of the population of Belarus at the time of the accident.

The consequences of the Chernobyl disaster remain the main problem affecting the agricultural and forestry sector. Long-term radiation affects productive farmland. Food-processing plants have gone out of business and agricultural production on these territories has decreased significantly. The contamination of mineral and raw material resources reduced their usage, and planned development, despite ready financing, was halted.

The accident also had negative effects on industrial enterprises and services located in the contaminated areas. Some of these enterprises stopped functioning entirely due to the resettlement of population elsewhere, while others are operating at a loss due to the decrease in production volume. A wide range of countermeasures to reduce the exposure of people and mitigate the consequences of the accident have been used for agriculture in the affected regions of Belarus.

The Institute of Economics of the National Academy of Sciences estimated the total cost of overcoming the consequences of the accident at \$235 billion for a 30-year period up to 2015 (according to 1998 prices). The loss in additional investments in industrial production and protection measures makes up 81.6 per cent of the total. Direct losses (e.g. the costs of withdrawing capital stock and money invested into industry, infrastructure, construction and natural resources) and indirect losses (e.g. problems related to the standard of living, the state of health of the population as well as migration from the contaminated areas) represents 12.6 per cent of the total loss; the remaining 5.8 per cent comes from

profit unaccounted for (e.g. reductions in output, work and public services; the cost of products being unfit because of radiation; extra expenses needed for filling deficiency and restoration of products; and lost benefits from businesses in the form of cancellation of contracts and projects, postponement of credit and penalty payments).

### ***Poverty and employment***

People living below the minimum subsistence level in Belarus accounted for 7.7 per cent of the population in 2007. This is an improvement from the previous year's 11.1 per cent. Poverty is more acute in rural areas, where twice as many households are categorized as poor.

In 2007, the economically active population in Belarus totalled 4,525,200, of which 47.2 per cent were male and 52.8 per cent were female. Out of this total, only 1.0 per cent was reported as unemployed, as compared to 3.1 per cent in 2003. The public sector continues to account for higher employment rates than the private sector.

The Government believes that the accelerated transformation of public enterprises into private economic entities may result in increased social tensions. It is therefore adopting a careful approach and not forcing reform processes of public enterprises.

There is relatively little private sector activity in Belarus compared to other transition economies, with the State continuing to play a dominant role in the economy. The share of added value contributed by the private sector to GDP was 48.6 per cent in 2000 and 54.2 per cent in 2007 (the private sector employed 47.9 per cent of the total labour force). In 1990, the private sector share of total employment was only 26.1 per cent.

Between 1995 and 2007, there has been a shift in labour from the industrial and agricultural sectors to the services sector. Employment in the agricultural sector in 1995 was 19.1 per cent (it decreased to 9.9 per cent in 2007). In the industrial sector, employment was 27.6 per cent in 1995, as compared with 26.4 per cent in 2007.

**Table 2. Employment by branches of economy, 1995 and 2007 compared (as percentage of total)**

Branches:	1995	2007
Industry	27.6	26.4
Agriculture	19.1	9.9
Construction	6.9	8.4
Transportation and communication	7.0	7.6
Trade, catering, material, technical supply and sales, procurements	10.7	14.3
Health care, physical culture and social security	6.5	7.4
Education	9.5	10.1
Others	12.7	15.9
Total number of persons employed in the economy (in thousands)	4409.6	4476.6

Source: Ministry of Statistics and Analysis, 2007.

The rate of unemployment had increased steadily, by the end of 2003 reaching 3.1 per cent. The following year, the increase slowed (to 1.9 per cent) and by 2007 the unemployment rate had dipped to 1.0 per cent. Unemployment among people under 30 years old, however, has been high, reaching as much as 53.9 per cent of the total unemployed in 2000. The value diminished in 2007 to 39.7 per cent.

While the official total unemployment rates in Belarus are relatively low, regional disparities can be observed. Minsk, for example, enjoys the lowest unemployment rate: 1.6 per cent in 1995 and, after a steady decrease, 0.4 per cent in 2007. Unemployment is higher in other cities and regions. (For an overview of the distribution of people according different branches of the economy, see table 3.)

### Population

The population of the Republic of Belarus at the end of 2007 was estimated to be 9,689,770 inhabitants. The urban population accounted for 73 per cent of the total (figure III). The population of Minsk city constitutes nearly one fifth of the total and represents a quarter of the total urban population. At the end of 2007, the gender composition of the country's population was 53 per cent female and 47 per cent male. Sixteen per cent of the population falls into the "under-working age" group, and 21.5 per cent into the "over-working age" group. The "working age" in Belarus is between 16–59 years for males and 16–54 years for females (table 3).

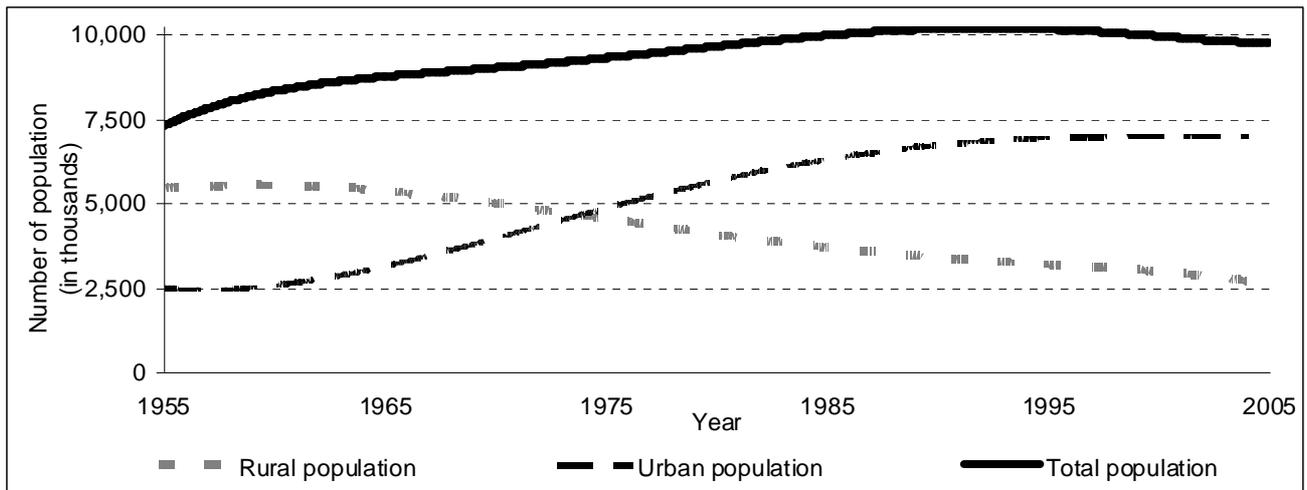
The results of the 1999 Population Census showed citizens' ethnic origin composition to be 81.2 per cent Belarusian, 11.4 per cent Russian, 3.9 per cent Polish, 2.4 per cent Ukrainian and 1.1 per cent other.

**Table 3. Size and natural increase of population (percentage)**

Number of resident population (in 10 <sup>6</sup> )	1995	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	10.19	10.17	10.14	10.09	10.04	10.01	9.99	9.95	9.89	9.84	9.80	9.75	9.71	9.69
Men	46.9	46.9	46.9	46.9	47.0	47.0	46.9	46.9	46.9	46.8	46.8	46.7	46.7	46.7
Woman	53.1	53.2	53.1	53.1	53.1	53.1	53.1	53.1	53.2	53.2	53.2	53.3	53.3	53.3
Under working age	24.5	23.1	22.6	22.0	21.2	20.6	19.9	19.3	18.5	17.9	17.2	16.6	16.2	16.0
Of working age	55.6	55.8	56.1	56.6	57.3	58.0	58.8	59.5	60.3	61.1	61.6	62.2	62.5	62.5
Over working age	19.9	21.2	21.4	21.5	21.5	21.4	21.3	21.3	21.2	21.2	21.2	21.2	21.4	21.6
Urban	66.8	68.1	68.4	68.8	69.3	69.7	70.2	70.7	71.1	71.5	72.0	72.4	72.8	73.4
Rural	33.2	31.9	31.6	31.2	30.7	30.3	29.8	29.3	28.9	38.5	28.0	27.6	27.2	26.6

Source: Ministry of Statistics and Analysis, 2007.

Figure III. General increase/decrease of population



Source: Social Environment and Living Standards in the Republic of Belarus 2005.

### Demographic trends

The early 1990s signalled the start of a severe demographic crisis in Belarus. To a great extent, this can be attributed to falling birth rates, declining life expectancy and high premature mortality. Owing to these factors, the natural increase in population plummeted starting in 1991. In addition, from 1993 the number of deaths has exceeded the number of births.

Ageing is also affecting the population of Belarus. The median age increased from 35.2 years in 1990 to 39.0 years at the end of 2007, and is projected to be higher in the years to come.

The demographic situation of Belarus shows that the number of “under-working age” has been in a downward trend: at the end of 1990, the number of people in this group was 2,494,924; at the end of 2007, it was 1,546,960. At the end of 1997, the population of the “under-working age” group was still greater than the “over-working age” population, but at the end of 1998, the latter had exceeded the former (table 3). This trend is likely to continue.

### Migration

The impact of population growth changes is most apparent in the migration from rural to urban areas (“internal migration”). The development of industry and services and a better living environment in the cities has led to a trend of increasing populations in urban areas. This has also entailed a

sharper decline in the rural population of Belarus.

A natural decrease in the rural population had already started by 1980. Up to 1975, there were more people living in rural areas than in urban areas. The rural population at the beginning of 1975 represented nearly 50.1 per cent of the total population. At the beginning of 1976, it was still 48.8 per cent. Statistics for year 2007 show the total rural population as only 26.6 per cent (table 3). Declining birth rates in rural areas since 1980 also contributed to this trend.

The Chernobyl disaster in 1986 also contributed to the change in the pattern of resettlement within the country, mainly because of migration away from the contaminated areas.

The State has developed a special policy plan to revive rural areas: the State Programme of Rural Revival and Development. Its aims are to revive and develop the social fabric and productive capacities of rural areas, to attain sustainability in agricultural production, to raise the incomes of the rural population and to create conditions for improving the demographic situation. The programme provides for the construction of agrarian population centres and for equipping them with an appropriate infrastructure, raising the employment ratio of rural residents, and preserving and creating new jobs.

Outmigration from Belarus occurs mostly to other CIS<sup>5</sup> countries and to the Baltic States. Emigration grew particularly fast during the period 1986–1990, when trans-border visa procedures were simplified. Socio-economic hardship has prompted Belarusians to leave the country in search of a greater material prosperity. The majority of such emigrants are educated and are beginning or mid-career professionals; hence this outmigration constitutes a form of “brain drain”.

### **B. Development of housing policies**

One of the key challenges of housing policy in Belarus is the privatization of State property and its consequences. The Government considers the development of the private sector to be a key macroeconomic policy objective in the country’s current social and economic development programme, which runs until 2010. The Law “On Denationalization and Privatization of State-Owned Property in the Republic of Belarus” (1993) was adopted to act as the legal framework for privatization (as well as for setting rules and procedures for privatizing State-owned enterprises). The adoption of this law has allowed citizens to acquire housing certificates that give them the right to buy the housing facilities they previously rented from the State.

Another law ( “On Privatization of Housing Stock”), passed in 1992, specifies a privatization mechanism – via vouchers – enabling families to buy real estate. As of 1 January 2008, privately owned housing stock accounted for 84.4 per cent of the total, as compared with 53.5 per cent in 1990 and 67.9 per cent in 1995.

On 22 February 2008, the Council of Ministers adopted the “Concept for building renovation of affordable and adequate housing for the citizens of the Republic of Belarus”. It divides the development of housing construction in three phases: (a) short-term construction (up to 2010); (b) intermediate-term construction (up to 2015); and long-term (up to 2015). Special emphasis is given to housing construction for families in need of improving their living conditions and that are on waiting lists with local executive committees.

A systematization of housing policy has gone forward after extensive analyses of existing normative regulations, the economic vitality of the construction sector and the demographic situation in the country. The concept also envisages analyses of the economic situation of households and architectural requirements for site development, both of which are related to establishing the estimated housing output, the type of housing and the timeline for construction.

It will not be possible to accomplish these tasks, however, if a modernization of the enterprises in the building materials industry (including expanding their capacity) does not also occur. To realize the intended plans, a modernization of the production facilities of the prefabricated house-building industry is being undertaken. Great attention is being devoted to the application of different types of energy-efficient architectural construction.

The concept also defines the perspectives of planning design solutions, land allocation and other practices directly affecting housing construction. Comprehensive policy documents such as the “Socio-economic Development of the Republic of Belarus for 2006-2010” programme and the “Concept on Construction and Reconstruction of Adequate Comfort Housing for Citizens of the Republic of Belarus” also provide guidance for current housing policies.

### ***Institutional framework***

The central government formulates housing policies and maintains significant control over their implementation and on the development of the housing sector. The Law “On the Administrative-Territorial Division and procedures for Resolving Issues of the Administrative-Territorial Organization of the Republic of Belarus” was enacted in 1998 in an effort to establish a division of responsibilities between the two primary tiers of government (figure IV).

In accordance with the Constitution of the Republic of Belarus, the President is vested with vast authorities in exercising power. He is empowered to issue decrees that have the force of laws, and appoints and dismisses key officials in the Government such as the Prime Minister (with the consent of the Chamber of

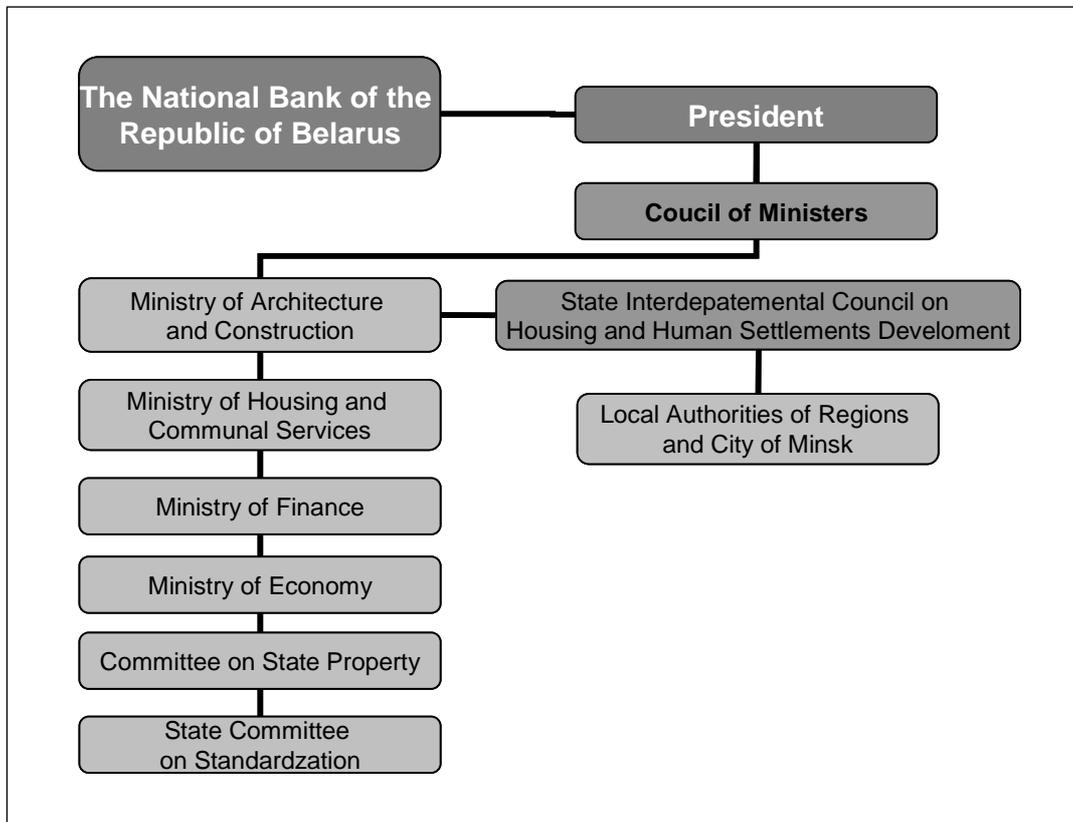
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<sup>5</sup> Commonwealth of Independent States. CIS Member States are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Representatives), the other ministers, the chairpersons of the Constitutional and Supreme Courts, the Supreme Economic Court (with the consent of the Council of the Republic), the

Procurator-General (with the consent of the Council of the Republic) and the heads of the oblast executive committees.

**Figure IV. Structure of the public sector institutions responsible for housing policy**



The Government (the Council of Ministers) consists of the Prime Minister, the Deputy Prime Ministers, including the First Deputy Prime Minister and the other ministers. It can also include heads of other bodies of the State administration. The composition of the Council of Ministers is determined by the President.

The Presidium of the Council of Ministers acts as the Council’s standing body. It serves to expediently resolve issues within the scope of the Council of Ministers. The Presidium consists of the Prime Minister, his deputies, the Head of Administration of the President, the Chairman of the Committee for State Control, the Chairman of the Board of Directors of the National, the Minister of the Economy, the Minister of Finance and the Minister of Foreign Affairs (in accordance with the Law “On the Council of Ministers of the Republic of Belarus” (1998)).

The governmental system of Belarus includes 25 ministries and seven State committees. The Ministry of Architecture and Construction and the Ministry of Housing and Communal Services are the main ministries involved in implementing housing policy and construction as well as in maintaining housing stock. Other ministries and State committees are involved in this policy area (figure IV). In general, the responsibilities and functions of the numerous State bodies involved in housing policy are not always clearly defined and sometimes overlap; this is also true for other policy areas. The State Interdepartmental Council on Housing and Human Settlements Development serves as a coordinating body between the national and local levels. It is chaired by the Deputy Prime Minister and consists of representatives from the ministries and the State committees as well as the deputy heads of the oblast executive committees in charge of housing and construction. The State

Interdepartmental Council meets four times per year (plus in additional sessions if there are pressing issues) to review the state of housing policy implementation. The responsibilities of the Government institutions involved in housing issues are as follows. (See also figure V.)

**The National Bank of the Republic of Belarus.** The National Bank provides refinancing to banks that give loans for the realization of the National Housing Programme.

**The Ministry of Housing and Communal Services.** This Ministry is responsible for issues related to the maintenance and management of the existing housing stock as well as utilities. The Minister of Housing and Communal Services has three Deputy Ministers who are responsible for economic and legal matters, housing stock, utilities and energy policy as well as for scientific and technical development strategies. The Ministry has the key responsibility of managing services (e.g. water, telecommunications and electricity) to communities throughout the country. It has developed a system for maintenance and measurement of these services.

**The Ministry of Finance.** The Ministry of Finance is responsible for incorporating the demands for housing and associated infrastructural requirements into the annual State budget.

**The Ministry of the Economy.** This Ministry is responsible for developing annual and five-year plans for housing. These plans are derived using housing demand forecasts from all the oblasts and the city of Minsk to create projections on housing needs.

**The Committee on State Property.** The Committee's key responsibilities include the development of measures for implementing policy regarding land relations, geodesy and cartography; registration of real estate; and issues regarding property relations (e.g. management, administration, privatization, appraisal and accounting for property in State ownership).

**The Ministry of Architecture and Construction.** This Ministry is responsible for the formulation of housing policies and drafting of regulatory legal acts regarding housing construction and spatial planning issues. Deputy

Ministers plus the structural subdivisions are supervised by the Minister for Architecture and Construction. The departments are shown in figure V.

**The Ministry of Labour and Social Protection.** This Ministry helps determine the eligibility criteria for social housing and soft loans.

**The State Committee on Standardization.** The State Committee on Standardization is responsible for guaranteeing the development and implementation of policies related to compliance evaluation and technical norm-setting and standardization. It oversees construction and project and cost-summary compliance with norms and standards.

The Ministry of Architecture and Construction ensures the proper functioning of the system of technical norm-setting, standardization and certification with regard to architectural, urban planning and construction activities. Local-level authorities are established by the central government and play a limited role in the formulation of policy. Their main duties are to execute and implement national plans and policies at the local level and to carry out administrative tasks. It is foreseen, however, that local bodies of administration will play a more influential role in determining local housing policies in the future.<sup>6</sup>

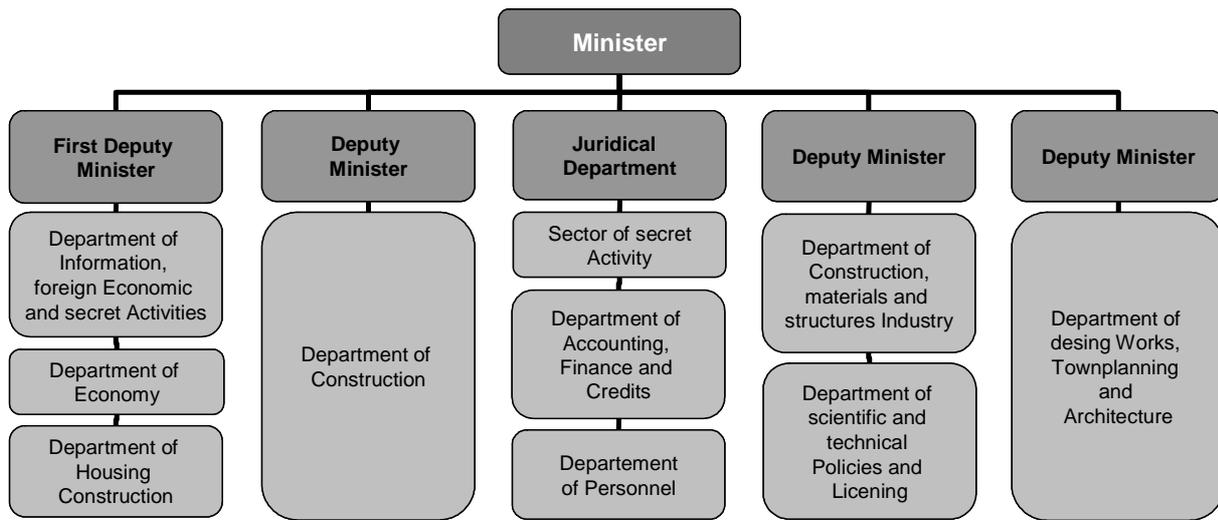
Two Presidential Decrees, 21 and 265<sup>7</sup>, signalled the acknowledgement by national-level authorities of the need to empower local-level government by transferring part of the burden of responsibility to end-users, thereby resulting in greater involvement by local actors in decision-making processes.

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<sup>6</sup> Belarus 2015: Summary of National Plan of Spatial Development, Ministry of Architecture and Construction of Belarus (2001), p. 14.

<sup>7</sup> Presidential Decree 21 "On Enhancing the Role of The Bodies of Local Government and Self-Government in Addressing Life-Sustaining Needs of the Population" of 12 January 2007 and Presidential Decree 255 "On the State Integrated Programme for the Development of Regions, Small and Medium Towns in 2007–2010" of 7 June 2007.

Figure V. Structure of ministries concerned with land management issues



The regional body responsible for planning is the Oblast Committee for Territorial Development, Urban Planning and Architecture.<sup>8</sup> In total, there are 207 communities are officially described as “urban areas” in the six oblasts of Belarus.

Minsk, a “City of European Significance” (a city with a population of more than 500,000 people) is the one exception to the region-based system of administration).<sup>9</sup> With 1,814,800 inhabitants as of 1 January 2008, Minsk plays a key role in the administration of resources for housing, not only because it is the capital, but also because it places greater demands on the local urban infrastructure due to its growing population and its role as an industrial centre. International business trade, education and training opportunities, and cultural and financial activities also tend to make the demands for housing greater there.

Minsk has undergone the same process of evaluation as the oblast authorities, with six parallel oblast reviews of housing needs. The body responsible for urban planning is the Minsk

Committee of Architecture and Urban Development. Given the city of Minsk’s physical location within Minsk oblast, this Committee works with the Minsk Oblast Executive Committee to review issues of territorial negotiation such as zoning and urban expansion in areas falling under the jurisdiction of Minsk oblast.

National strategies are derived from the data collected by representatives of oblast governments, with each oblast receiving in principle distinct and equal representation. The oblast executive committee representatives evaluate key developments such as recent population fluctuations, environmental issues, housing shortages and construction bottlenecks. In accordance with Presidential Decree No. 631 of 23 October 2006, structural subdivisions of local executive and administrative bodies (the Committees on Architecture and Construction under the oblast executive committees) exercise State power in the field of architecture and over construction within the territory of an administrative-territorial entity. They are subordinate to the oblast bodies and also to the relevant bodies of State administration (e.g. the Ministry of Construction and Architecture).

National strategies serve as a baseline for development of regional and community-based plans. Requests for detailed urban and regional plans are submitted by designated representatives from municipalities to representatives of the oblast governments; these regional housing representatives collate requirements from all

<sup>8</sup> See <http://vasab.leontief.net/countries/belarus.htm#1> (last accessed 12 December 2008).

<sup>9</sup> Belarus 2015: Summary of National Plan of Spatial Development. Ministry of Architecture and Construction of Belarus, p. 15 (2001).

communities from the oblast and submit requests for the development of draft regional plans to the central government. The drafts are typically funded by administrative subregions, though they may be subsidized by oblast governments.<sup>10</sup> Communities without the funds necessary to develop such proposals can submit a request to oblast executive committees requesting financial support.

### ***Development of urban and regional plans***

While most requests for regional plans are initiated and funded by the administrative body for which they are being developed, the central government does subsidize the development of the plans when that municipality is unable to pay the costs of developing the strategy. Normally, funding to develop these plans is paid out of the oblast budget. The Ministry of Architecture and Construction prioritizes these requests in cooperation with the Institute of Regional and Urban Planning (IRUP), and then submits them for approval to the Government. Currently, urban development projects are being pursued for the period up to 2010. IRUP, a national State entity, is the exclusive developer of plans for all regions of Belarus. The Institute is funded by both the State budget and by direct payments from local budgets for the design of specific plans and strategies for development.

IRUP is the leading organization in the country in terms of drafting urban development documentation at the national, regional and local levels. These documents include the State Scheme of Integrated Spatial Planning of the Republic of Belarus, schemes of integrated spatial planning of the oblasts, master plans of administrative districts and cities, and detailed planning drafts. IRUP also conducts scientific research on regulatory and legislative activities. It prepares feasibility studies for programmes and activities aimed at the development of urbanized regions, the improvement of city areas, the protection of historical and cultural heritage as well as wildlife areas, and the development of tourist and recreation systems and social amenities.

The housing activities of IRUP are a direct reflection of the requirements of the ministries

responsible for the management of urban planning and housing issues.

The one area not under the purview of IRUP is the city of Minsk. Detailed plans for the city of Minsk are researched and developed by Minskgrado, a research body dedicated promoting sustainable urban and spatial development in the capital city. Minskgrado is also responsible for managing the city's growth and its housing maintenance demands, and for taking into account the effects that such growth may have on adjacent areas.

### ***Non-governmental organizations, international organizations and the private sector***

With a government-controlled economy that asserts considerable influence on the housing sector, Belarus leaves comparatively little room for non-governmental and international participation. Private investors, professional organizations, NGOs, international organizations and independent operators have relatively little practical ability to influence housing and land management policies. Yet some organizations have been created representing professionals with certain degrees of qualification and expertise so as to guarantee that planning documentation is in accordance with existing legislation on engineering. These associations include the Belarusian Union of Builders and the Belarusian Union of Industrialists and Businessmen, among other professional associations.

Business development in Belarus has encountered many obstacles. However, in response to criticism from national and international experts, the Government and the National Bank are currently working on measures to improve the business climate through a joint working group: the Foreign Investments Advisory Council of the Council of Ministers of the Republic of Belarus. In the winter of 2007/2008, a set of measures was adopted to ease the registration of enterprises, licensing and payment of taxes.

After the fall of the Soviet Union, the Supreme Council established the Laws "On Ownership in the Republic of Belarus" (1990) and "On Denationalization and Privatization of State-Owned Property in the Republic of Belarus" (1993). While private ownership of land and building structures is possible, private developers are heavily regulated by State policies. These policies do not provide incentives for housing

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<sup>10</sup> <http://vasab.leontief.net/countries/belarus1.htm#2>  
(last accessed December 12 2008)

construction. Developers face regulated profit margins similar to those faced by State managed development enterprises.

Similarly, maintenance and upgrading of existing housing stock and associated infra-structural improvements are contracted to State-run maintenance agencies. Private owners and developers are obligated to contract one of these 415 companies. This eliminates competitive incentives for business management and further reduces private investment in housing development.

Professional organizations within the construction industry are not common either, since their ability to influence decisions is not important. For example, the Belarus Architects Association has voluntary membership and is funded by contributions by its members; at any given time, there are approximately 900 architects on the roster. However, it receives no support from the central government. The Association does not have the ability to directly influence policy, and its sphere of influence is limited to controlling the quality of its own projects through effective project management and innovative construction practices. At present, it is estimated that 80 per cent of all architects work in the public sector, while the remaining 20 per cent work privately. Private licenses to practitioners are issued and renewed every five years, and the State reserves

the right not to renew them in special circumstances.<sup>11</sup>

Homeowners' associations are slowly emerging in privately owned residential units. These are State-supported: they relieve the cost burden of the Government by transferring responsibility for maintenance to the owners themselves. Associations must register with local executive and administrative bodies before initiating their activities.

International organizations do not play an active role in housing policy development and implementation in Belarus. However, the Ministry of Architecture and Construction, while developing programmes in the field of housing construction, has recently taken into account certain recommendations on human settlements and urban development in documents from international forums and UN-Habitat.

Non-profit organizations are regulated by the State by means of a registry. No institution dealing specifically with housing issues has been registered, though cross-sectoral issues such as veterans' rights and public health and environmental issues may address problems that relate to housing indirectly. It is believed that many of these organizations are State-managed, so their independence can become compromised.

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<sup>11</sup> The licenses are given to legal entities that have specialists on their staffs and that provide planning documentation meeting requirements of high technical standards. Therefore, the State, through specially authorized bodies, can revoke a license when the above-mentioned requirements are not met.

## Chapter II

# EXISTING HOUSING STOCK AND NEW CONSTRUCTION

### A. Existing housing stock

The housing sector, including housing construction, maintenance, financing and infrastructure development, is regulated by the State Housing Policy, the National Housing Programme, the Housing Code of Belarus and a number of other normative documents. The State Housing Policy also regulates social and affordable housing. The Housing Code covers all aspects of the housing sector and has been in force since 1999. A major part of the Code addresses social and affordable housing issues in addition to forms of State support to citizens who require improvement of their living conditions. The Code also deals with private sector issues, housing maintenance and, housing rights.

With the end of the former Soviet Union, most housing stock in Belarus was privatized; as of 1 January 2008, 84 per cent was in private hands. The remaining 16 per cent is in public ownership and belongs to the State (National Housing Fund) or the municipalities (Municipal Housing Fund).

Dwellings built in the period 1995–2007 by the private sector form a comparatively high proportion (33.5 million m<sup>2</sup>) when compared to those built by the State (9.3 million m<sup>2</sup>). As of 1 January 2008, the total housing stock consisted of 1,612,022 houses with 222.7 million m<sup>2</sup> (table 4).

**Table 4. Housing stock in Belarus**

Type of ownership	Number of houses	Floor space [10 <sup>3</sup> m <sup>2</sup> ]	Percentage
State:	101,846	35,800	14.8
Republic	17,228	5,296	15.2
Municipal (communal)	84,618	29,503	84.8
Private:	1,510,097	187,844	76.6
Physical persons	1,423,214	169,444	90.2
Non-State juridical entities	72,598	14,948	8.0
Joint ownership	14,285	3,452	1.8
Foreign	79	10	0.0
Total housing stock	1,612,022 <sup>a</sup>	222,654	100

<sup>a</sup>) Includes 3,856 hostels.

Source: Ministry of Statistics (accessed 1 January, 2008).

The housing stock provides possibilities to different categories of citizens to access adequate living conditions and accommodation. For

While the urban housing stock has grown rapidly (comprising 66.2 per cent of total housing stock as of 1 January 2008), rural housing development is very small in volume. Most important development takes place in the capital city and Minsk oblast. In some other regions, housing estates are developing quite rapidly (e.g. Brest and Gomel oblasts). Floor space per inhabitant also differs according to the urban-rural split. While the average across the country is 23 m<sup>2</sup> per inhabitant, low density and the types of housing in rural settlements allow for a larger floor space (29.2 m<sup>2</sup> per person). In general, the average floor space per inhabitant has grown considerably over the years, which indicates a rising quality in living conditions. It should be mentioned that foreign ownership is comparatively low in urban areas (only 15.7 per cent), which contrasts with the situation experienced in other post-Soviet countries, where there is a very high demand for foreign investment in big cities, especially in the capitals.

The State Programme of Development of Regions and Small and Medium Towns for 2007–2010 also covers housing issues. It was developed to revitalize urban centres across the country. In general, the acquisition of a house or flat is more convenient in small- and medium-sized cities because of lower prices and a shorter waiting period for access to subsidized housing.

example, in the total housing fund the share of hostels is 3.7 per cent (as of 1 January 2008); these are mostly located in urban areas and belong to

State and municipal organizations. The State and the municipalities also own a social housing fund, which is available for needy citizens.<sup>12</sup> Investments in housing by the State, however, had declined from 26.1 per cent in 2000 to 17.0 per cent in 2007.

Renovation activities are periodically carried out in the country, including urban renewal and housing renovation. For example, a campaign to reconstruct mass housing has taken place in the last few years to enlarge and redesign housing estates. In total, 1,700 houses belong to the so-called *khrushchovka* (first-generation mass housing constructed in the late 1950s and early 1960s).<sup>13</sup> In contrast with some post-Soviet countries (i.e. the Russian Federation), in Belarus the renovation of this type of housing is less expensive than demolishing and building anew. Also, some cities have very old and damaged settlements that are under reconstruction (or are foreseen to be in the near future). Because of adequate maintenance, existing housing stock does not generally need capital reconstruction, especially from a technical point of view. However, some very old and partly demolished houses (those with one or two storeys) are slated for demolition or renovation.

In terms of safety, construction and maintenance, the condition of existing housing stock in Belarus is quite good.

### **B. New housing construction**

After the collapse of the Soviet Union, construction activities declined in most CIS countries (including Belarus), but they picked up again after 2000. According to the available statistical information, in total 28,406,776 m<sup>2</sup> were constructed after 2000 – of which 67.8 per cent were in urban areas – totalling 315,112 flats (units). This additional amount of flats per 1,000 inhabitants equals 5.5, with a surface of 481 m<sup>2</sup>.<sup>14</sup>

It should be mentioned that State financing of new construction declined from 10.2 per cent in 2001 to 5.1 per cent in 2007. Fifty-one per cent of the costs were covered directly by citizens' own means, and bank credits accounted for 40.1 per cent of the total financial costs of new construction.

Newly constructed dwellings are divided between State and private ownership, of which private units' share was 84.6 per cent in 2007. Of State-owned new construction, 22.4 per cent was built by the national authorities, with the remainder carried out by local (communal) government. This makes it easier to manage the housing stock.

While the typical Soviet period flat is characterized by a very small size and poor planning, after 1990 flats became bigger and more comfortable. The average size of apartments has risen; by 2007 it had reached 87.8 m<sup>2</sup> of total floor space. Forty-one per cent of the demand with respect to new construction is for apartments of three rooms, which is estimated for medium-sized families (three to four persons).

There is still a lack of foreign investment in the housing sector, although recently a number of private Russian firms have become interested in housing construction in the city of Minsk. In the Minsk region, the oblast government annually constructs about 20 per cent of the total new housing.

The structure of the housing stock is broken down by type and building size according to recommendations given by the National Spatial Development Plan regarding new construction in urban settlements (see table 4).

<sup>12</sup> This was widespread in the Soviet era and is known as the "cooperative housing fund".

<sup>13</sup> Prefabricated panel houses, constructed for 25–30 years of use.

<sup>14</sup> The rationale for these increases is set out in Presidential Decree No. 291 of 3 July 2008 and the Resolution of the Council of Ministers of Belarus No. 531 of 8 April 2008.

**Table 5. Structure of new housing by type and building size recommended for new construction in urban settlements**

Urban settlements ranked by population (pop.)	Single-unit	Multi-unit	
	1-2 storeys	2-4 storeys	≥5 storeys
Largest cities (pop. > 1,000,000)	≤5	20-30	75-65
Major cities (pop. 250,000-1,000,000)	10	30	60
Large cities (pop. 100,000-250,000)	20	30	50
Medium-sized cities (pop. 20,000-100,000)	25	35	40
Small cities and urban-type settlements (pop. ≤20,000)	≥30	35	≤35

*Note:* Share of housing units, classified by number of storeys, is shown in percentage.

Since the sector is highly controlled by the State (both construction companies and the building materials industry), a significant percentage of construction activities is carried out by State-owned companies. In 2004, a total of 121 enterprises in the building materials industry produced an output of 2.066 trillion roubles.

The labour market is dominated by construction companies, and an estimated 53,000 people work in the building materials industry. This industry can be described as fully self-sustaining, with almost all materials being produced locally. Building materials production includes cement, prefabricated ferroconcrete structures, bricks, roof and ceiling materials, lime and enamelled tiles. Construction companies face certain problems due to the considerable volume of construction and the lack of appropriate resources. There is a bottleneck in the production of building materials because of the construction boom in the last three years.

Houses are mostly constructed from bricks and ferroconcrete units. Prefabricated panels are also used. In every district of the Minsk oblast, there are design and production, architectural and planning offices – as well as more than 10 design institutes – which are owned by the oblast government. Every year, 900,000 m<sup>2</sup> of residential housing is built in the oblast.

For the private sector, it is difficult to compete with large State construction companies. The private sector in construction is not as active as in other post-Soviet countries. This is related in part to the issuance of construction permits, a burdensome process under the current circumstances. For the private sector, the paramount obstacle is the purchase of free land – although housing construction is free of value added tax (VAT), which should encourage growth

in the sector. In some cases, land auctions facilitate the purchase of land on equal terms. The lack of transparency in the allocation of land and associated bureaucratic procedures are factors that may further discourage private sector development.

Current prices for new flats are as follows: 1 m<sup>2</sup> in State construction costs about \$800<sup>15</sup>, and 1 m<sup>2</sup> constructed by the private sector costs about \$2,000.

The State owns design and research institutions that study urban development, housing, construction, utilities and similar areas. Private research and design organizations cannot compete, because most of the State demand goes to State-owned companies.

Licensing is a very important component of architectural-construction activities in the country. As mentioned above, every five years each architect has to request a renewal of his or her license. Licenses are mandatory for construction companies.

The country has not experienced significant illegal settlement or illegal construction, even though the penalties for illegal construction are not severe. In most cases, problems can be resolved through legalization, provided that the construction in question can be integrated with the surrounding area and meets certain standards.

Concerning the technical aspects of the legal framework, documents based on those of the Soviet era still remain in force, with amendments made to meet modern requirements (e.g. reduction in heat consumption, measuring instruments, and

<sup>15</sup> The profit margin is regulated when companies build housing for needy families.

control and regulation of heat supply). In the post-Soviet era, new technical codes on building regulations were adopted, including the Residential Buildings Code (1996). In addition, in 2004 the following guidelines and standards were adopted and have since come into force: Basic State Standards 1154-99, Housing Fundamentals; Basic State Standards 1589-2005, Social Housing, Fundamentals; manuals on the construction of mansards and P1-99 for Basic State Standards 3.02.04-03; and Design and Construction of Mansards (2000).

Forecasts predict a rise in both housing financing and volume, despite the decline in commercial construction development. Minsk city alone plans to construct 1,229,000 m<sup>2</sup> of new housing space in 2008.

The results of the first six months of 2008 have shown that the construction cost of pre-fabricated dwellings for the citizens registered as needy ranges from 813,000 roubles per m<sup>2</sup> in Gomel oblast to 913,000–1.13 million roubles per m<sup>2</sup> in Minsk oblast. The variation is due to the cost increases in building materials and energy resources.

Housing for needy households is built with prefabricated concrete panels, bricks and gas silicate blocks. The price of dwellings built of bricks and gas silicate blocks is 15–20 per cent higher than that of dwellings built of prefabricated concrete panels.

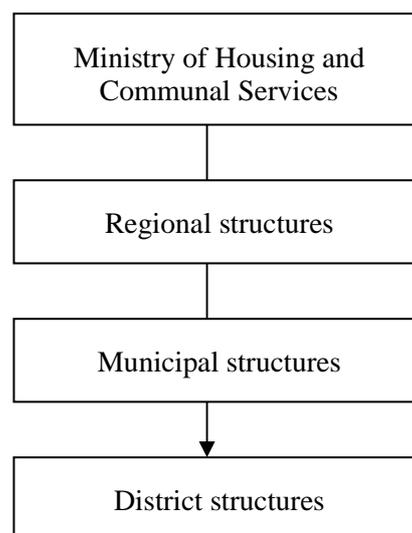
Currently, the economic situation in Belarus is stable. Since the National Bank has controlled the rate of inflation, the population has had the opportunity to build housing of standard quality, and in some cases of high consumer quality. Since 2000, new housing output has increased steadily. During the last five-year period, housing output has been 16 million m<sup>2</sup>, whereas in the current five-year period (2006–2010), an output of 26 million m<sup>2</sup> is expected. According to data for September 2008, the secondary market price per m<sup>2</sup> of housing in Minsk city is \$1,885.

Any citizen, even if registered as part in needy household, has the possibility to build housing of any floor space at her or his expense. In Minsk, the waiting period for needy households is about 20 years.

### C. Maintenance and management

Maintenance of existing housing stock is carried out with the very active participation of the State. Overall policy is established by the Ministry of Housing and Communal Services. The State administration structure with respect to housing maintenance is strictly hierarchical (figure VI).

Figure VI. Hierarchical structure of housing management



Technical services and maintenance are implemented by several organizations, including State housing companies, homeowners' associations, housing construction cooperatives (ZhSK), citizens, non-State entities and public-private entities.

There are 4,564 housing construction cooperatives and 566 housing associations in Belarus. Only 15 non-government enterprises were involved in housing maintenance as of 1 January 2008.

Design institutions, industrial companies, elevator service companies and research-industry cooperatives are also in State hands. All other service units are in municipal (communal) ownership, namely service enterprises (the so-called JKKH organizations). There are about 600 municipal service companies across the country.

While the Ministry of Housing and Communal Services defines policy, the execution and financing of housing maintenance is organized

at the municipal level. Tariffs on housing and public utilities are established by the Ministry of Housing and the Ministry of the Economy. Only about 40 per cent of maintenance activities costs are financed by fees, with the rest being heavily subsidized by the State.

Housing maintenance policy can be described as well developed and comprehensive. Twice a year (in the spring and autumn), responsible structures of local government check the technical conditions of the whole housing stock to start preparations for the winter period. After the inspections, a list of repairs and required physical capital reconstruction is drafted.

Housing maintenance activities were very low during the period 1995–1998. It should be noted that housing maintenance includes repair of all building structures; for example, the facades of 436 houses were repaired in 2005. In total, facades of 1,618 houses were renovated during 2001–2005, and 10.6 million m<sup>2</sup> of roof space was repaired during 2003–2007. Maintenance also covers the entrance spaces of multi-flat houses and all the technical components of buildings such as water-supply infrastructure, electrical wiring, heating, replacement of boilers and energy efficiency work. In Minsk alone, 3 million m<sup>2</sup> were repaired in the period 2003–2007. In 2008, a total of 5,776 houses were listed as needing repairs and retrofitting for the winter period in the city of Minsk.

Housing construction cooperatives (ZhSK) are created by inhabitants to construct, maintain and manage their estates. At present, they own 8.7 million m<sup>2</sup> of housing stock. In Minsk, 936 ZhSK are currently in operation. Housing associations are a less popular way of housing management. These are mostly established in new, privately constructed multi-family estates. They own more than 3 million m<sup>2</sup> of floor space. In the city of Minsk, 278 housing associations are currently registered.

In Minsk oblast, 29 million m<sup>2</sup> of housing is serviced annually. Services are differentiated into waste management, cleaning and cable TV connection. All housing stock is served by 125 housing service offices. These companies serve only multi-flat estates, and provide only waste disposal for private houses. In 2007, 160,000 m<sup>2</sup> of inner yards and roads were reconstructed. Annually, 10 per cent of the maintenance work is roof repairs.

Although the main actor in housing maintenance is the municipality, taxes are paid by the city's inhabitants. The most important tax is for "Technical Service of the House", comes to 264 roubles per m<sup>2</sup>. The second most important, "Savings for Capital Repair", amounts to the same. These service taxes are to be paid by all owners and tenants. Nonetheless, the amount collected is not sufficient to fully cover maintenance costs. The tax revenue amounts to less than 40 per cent of the total cost of service, and the difference is subsidized by the Government.

A mechanism of partial compensation of user fees related to maintenance and utility services (and savings for capital repairs, among other non-cash housing subsidies) has been developed and is already functioning in the country. It was endorsed by Presidential Decree No. 638 of 14 December 2007 "On Measures to Provide State Support to the Population". Non-cash housing subsidies are allotted to families (citizens), provided that their payments for utilities and living space use, as well as its maintenance and savings for capital repairs within the limit of 20 m<sup>2</sup> per inhabitant, are in excess of 20 per cent of the average family income in cities or urban settlements, or 15 per cent of the average family income in rural settlements.

In Minsk oblast, 19,500 people work in housing maintenance through local governmental structures. They also deal with roads and surrounding territories. About 11 per cent of the budget of Minsk oblast is spent on housing maintenance.

An energy efficiency programme has been enacted by the President. According to the Presidential Directive No. 3, by 2007 all the houses that do not comply with energy efficiency norms should be identified. In 2007, 286,900 m<sup>2</sup> of housing stock was renovated for thermal energy efficiency with several technical and construction means (e.g. perimeter walls, windows and engineering systems). The comprehensive Programme on Energy Asset Modernization, Energy Efficiency, and Use of Local Fuels for 2006–2010 (approved by the Presidential Decree No. 399 of 25 August 2005) aims at economic and rational use of energy in the construction sector.

#### **D. Affordable housing**

The main task for the State in the housing sector is still the social component of housing, which is undertaken by regional and local

governments. The State Housing Policy stipulates the State's role with respect to assisting citizens in improving their living conditions. The Housing Code defines in detail the allocation of social and affordable housing. The State Housing Policy provides for a differentiated approach to helping citizens acquire housing, based on their social status and incomes. Citizens can improve their housing conditions and find appropriate accommodation in several ways. The most widespread means is constructing housing at their own expense (for citizens with access to bank loans, including soft loans). There are also hostels across the country to accommodate disabled and poor people lacking proper dwellings.

### ***Social housing***

Social housing falls within the responsibility of municipalities and is meant only for certain categories of citizens. The procedure for distributing social dwellings and a list of categories of citizens eligible for it are set forth in the Provision on the Procedure for Registering Citizens in Need of Improving Living Conditions, and for Distributing Living Space from State Housing Stock, approved by Presidential Decree No. 565 of 29 November 2005.

The dwellings in social housing cannot be privatized, but tenants pay communal fees. Most of these fees are subsidized by the State (municipality). Social housing complexes are built with additional social infrastructure. Since 1999, the State is no longer building rental social housing.

### ***Subsidiary housing***

The main policy instrument in the housing sector is subsidized housing through loans (soft loans). According to Presidential Decree No. 185 of 14 April 2000, soft loans on housing construction cover 90 per cent of the total cost of construction. Citizens can have these loans at 5 per cent interest for 20 years. For families with many children living and working in small settlements of up to 20,000 inhabitants, conditions for soft loans are even more favourable: 3 per cent interest for 40 years, covering 95 per cent of construction costs.

Construction of multi-flat houses falls mostly under the supervision of the Ministry of Architecture and Construction. Soft loans are given to citizens classified as "needy" who are, accordingly, eligible to receive the loans. Among

the different categories of needy people, certain groups have the right to receive loans prior to others.

As of 1 January 2008, 717,500 families in the country were registered as in need of improvement of living conditions (table 6).

The demand for subsidized housing is increasing notably in the city of Minsk and Minsk oblast. In rural settlements, the number of needy families is increasing as well. This is a result of the village development policy, according to which village inhabitants are more privileged to receive soft loans. According to State policy, in each village not less than five houses should be built annually. Those families in need of improved living conditions can receive the land for free if they are natives of a certain region or village. For newcomers, the land is sold through auction.

The average waiting period for the citizens registered on the list of those in need of improving their living conditions is 18–20 years, while in villages one has to wait three or five years maximum. Because of the long waiting periods for housing renewal, the waiting list mechanism is of very limited practical use. Only families with three or more children have the right to receive a soft loan within one year of registration.

Coordination of allocation of credit resources for providing soft loans to the population for construction (reconstruction and acquisition) of housing is performed by the National Bank.

The main State financial organization participating in the housing sector is Belarusbank, which is mostly focused providing soft loans. In 2007, about 1.5486 billion roubles were spent on soft loans. Belarusbank is trying to improve the terms for loans to the population for the construction and acquisition of dwellings. Loans are provided for up to 15 years in Belarusian roubles and cover up to 75 per cent of the cost of construction (or reconstruction) or acquisition of housing (up to 90 per cent of the cost if the loan is denominated in foreign currency). The interest rate for rouble-denominated loans provided to citizens in need of improving their living conditions is set at 14 per cent per annum. The interest rate for United States dollar-denominated loans is set at 12 per cent per annum and for Euro-denominated loans at 11 per cent per annum. Interest is paid back in equal instalments.

**Table 6. Number of families registered for improving their housing conditions**

	2000	2001	2002	2003	2004	2005	2006	2007
Families (10 <sup>3</sup> ):								
Republic of Belarus	568.78	558.84	555.89	522.19	525.04	564.78	623.08	717.53
Minsk city	158.91	163.32	157.09	151.86	155.99	171.21	205.05	241.26
Minsk oblast	50.1	48.52	58.57	56.09	52.49	57.4	69.09	84.12
Citizens (10 <sup>3</sup> ):								
Urban settlements	543.42	535.29	526.11	494.63	494.15	528.76	576.56	659.62
Rural settlements	25.36	23.55	29.78	27.56	30.89	36.02	46.52	57.91

Interest rates for the citizens who permanently live and work in rural settlements and who take out loans on a common basis are lower by 1 percentage point.

Belarusbank also provides ordinary credit (normal loans) with a 15–16 per cent interest rate in Belarusian roubles and a 13 per cent interest rate in United States dollars. The maturity period for normal loans is usually 10 years. Soft-term financing of housing construction in rural areas is conducted by Belagroprombank. (It only issues credit to agricultural organizations).

Decisions on allocations of soft loans are taken by the local executive committees (local government). The local government has a list of needy persons. The determined amount from the soft loan goes directly to the construction company building the house. Usually these are State-owned construction companies.

According to the forecast on social housing up to 2010, investment in subsidized housing is expected to double.

### **E. Utilities**

Utilities policy is developed by the Ministry of Housing and Communal Services. One of the major normative documents regulating the sector is the Development Programme for the Housing and Utilities Sector of the Republic of Belarus for 2006–2010, adopted by the Council of Ministers on 7 June 2006.

According to the programme, in the period 2000–2005 the cost of housing and utilities for the population was growing at a rate exceeding the rate of inflation. From January 2000 to June 2005, tariffs on housing and public utilities grew 50 times, a large amount compared to the overall increase in consumer prices (six times). Increases

in the cost of heating, housing maintenance and electricity have been the highest.

As a result of these trends, the proportion of maintenance and utility costs covered by the population (calculated for a standard two-room apartment), excluding electricity and gas grew, from 12 per cent in 2000 to 42.4 per cent in 2005. Simultaneously, housing and utility costs have also grown relative to household consumer expenditures, from 3 per cent in 2000 to 7.4 per cent in 2007.<sup>16</sup>

Public support for the housing and utilities sector in 2004 represented 5.3 per cent of the total government budget expenditures (or 2.4 per cent of GDP). A big percentage of communal services is subsidized by the State. After 1990, the size of water supply and sewage systems expanded by three times and the heating system by five times across the country. According to the Ministry of Statistics and Analysis, as of 1 January 2008, 69.2 per cent of total housing stock was connected to water pipelines, 67.2 per cent to wastewater conduits and 68.3 per cent to central heating. Regarding hot water, 59.2 per cent of the housing stock has access and 87.9 per cent is able to receive gas. Delivery of utilities in State housing stock includes water supply (91.9 per cent), wastewater (90.5 per cent), central heating (88.7 per cent), hot water (81.2 per cent) and gas (78.2 per cent).

Rural households have significantly less access to modern amenities than multi-flat urban households. Only 35.3 per cent of the rural housing stock has running water, 31.1 per cent has sanitation and 24.5 per cent has showers and bathrooms. According to the Concept of Housing

<sup>16</sup> Development Programme for the Housing and Utilities Sector of the Republic of Belarus for 2006–2010.

Sector Development in the Republic of Belarus for the Period up to 2015, a substantial expansion of access to utilities in rural areas is foreseen by 2010, achieving full cost recovery by 2015.

Since 2005, the “one-stop-shop” principle has been established in the communal service sector. Inhabitants have to pay communal costs in these service centres. The most expensive is heating. The average price for utilities for a 46-m<sup>2</sup> flat is about \$50 per month, excluding telephone and electricity costs.

All tariffs on communal services are adopted by the Council of Ministers. If more than 20 per cent (in cities) or 15 per cent (in rural areas) of a household income goes to communal services, the difference is usually covered by the State. According to a Presidential Order, annual increases on the value of communal services should not exceed 5 per cent. The Ministry of the Economy coordinates the costs of these services.

The State has elaborated the State Water Supply and Removal Programme for 2006–2010, also known as the “Clean Water Programme”. The programme is expected to promote the development of water supply and wastewater systems and to improve quality of drinking water and water measurement systems, which still create problems for households. As of 1 January 2008, only 58.8 per cent of apartments were equipped with individual cold water meters. Today, all apartments in new constructions (or those estates undergoing capital reconstruction) are equipped with individual water meters. The Government is helping households to install meters, which will reduce water costs by 20 per cent over a two-year period.

Regular waste collection service has become available in towns and rural settlements in Belarus. According to the new Law on Waste Management, waste deposit sites that do not correspond to modern standards should be closed by 2015. There is a shortage of small-scale waste storage sites serving rural settlements. In total, a maximum 1 per cent of household waste is recycled due to the lack of modern recycling facilities.

Particular attention should be paid to the energy efficiency sector. Main objectives regarding energy efficiency in the construction, reconstruction and building materials industries include an increase in the use of energy-efficient construction materials. The most problematic area for energy efficiency matters is the massive housing blocks constructed in the 1950s and 1960s, which have a number of construction defects in wall and window protection, construction materials and roofs, and thus very high costs for maintenance and heating.

As a medium-term programme, the Ministry of Housing and Utilities implements the Comprehensive State Programme on Energy Asset Modernization, Energy Efficiency and Use of Local Fuels for 2006–2010. The programme addresses energy efficiency issues in the housing and construction sector, including the replacement of low-efficiency heating installations, installation of low-output heating sources with high-efficiency water heaters, the upgrading of urban heating systems and utilization of low-energy outdoor lighting equipment.

**A. Introduction**

Housing is generally viewed as a specific social good that requires some level of State intervention and regulation. In the field of housing finance, market-based tools such as mortgage loans and savings products are therefore mostly accompanied by different types of public subsidies intended to increase housing availability and affordability.

However, such subsidies are to be used only after careful analysis of their short-term and long-term impacts, efficiency and effectiveness. State interventions should: (a) take into account potential positive future economic development; and (b) limit the crowding out of private investment. Generally, the main prerequisites of careful subsidy policies are that such public subsidies should be (a) efficient (i.e. economical with respect to public budgets and also able to satisfy all eligible households in the foreseeable future), (b) effective (i.e. well targeted to people in need), transparent (i.e. easily intelligible), and (c) flexible (i.e. the level of subsidies should be able to respond on changes in both economic situation of eligible households and the macroeconomic situation in general).

Despite the high level of homeownership produced by mass public housing privatization (85 per cent of housing stock) and the dominance of homeownership in new housing construction (in fact, all housing), the housing finance structure in Belarus is still heavily skewed towards the public sector, and the role of private investment and market-based housing finance remains a minor one. The systems of housing finance, construction, maintenance, modernization and management are dominated by State entities, in particular by State-owned companies and banks. In 2006, 71 per cent of total housing output was provided by large public (mostly regional) companies, and this share is expected to increase to 75 per cent in 2010. Public companies (often the same one) are generally responsible for the management, maintenance and reconstruction (capital repairs) of not only the public housing remaining, but also of more than 95 per cent of apartment houses with mostly privatized dwellings, e.g. for the management of the overwhelming majority of

urban owner-occupied housing. Soft loans (loans with below market-level interest) for the purchase of owner-occupied housing are extended only by two State banks. In April 2007, such loans accounted for 72 per cent of the overall outstanding housing loan balance.

Thus the system is based on large, publicly owned companies responsible for housing construction, maintenance and management. For example, the public Minsk City Management Department maintains 6,291 apartment houses with 560,000 flats. State bank lending is accompanied by a set of public subsidies, such as revenue subsidies to cover the major part of management, maintenance and utility costs (about 60 per cent of the total) to all Belarus households. According to the official figures, public housing policy expenditures accounted for 2.5 per cent of GDP in 2006, but this share can be assumed to be higher due to the quasi-fiscal subsidies characteristic of public management and utility companies – which often operate at a loss – and also of State banks. The high level of State influence and subsidization in Belarus when compared to other transition countries may be the consequence of a relatively long period of high inflation and an increasing housing demand not satisfied by the market.

Housing policy is recognized as one of the Government's priorities. Policy is shaped according to five-year national economic plans (the current one being the Programme for the Socio-Economic Development of the Republic of Belarus for 2006–2010, which is elaborated annually and adjusted into one-year strategic programmes). The programme aims to provide each household with decent, affordable and standard qualitative housing. Due to a change in tenure preferences and the State's efforts to increase the responsibility and financial involvement of housing occupants, policy is directed mainly towards supporting homeownership. This reorientation is perceived as the starting point in a transition from State-rental housing model (with the State being responsible for construction and maintenance of State rental housing) to a market-based housing model in which most of the construction costs are borne by the population (homeowners), and in which market-based housing finance gradually takes the place of State subsidies. These policy targets are

implemented through the policy tools described below.

**Privatization of public housing (transfer to tenants).** This is realized through the distribution of housing vouchers. In the early 1990s (the Law “On Privatization of Housing Stock in the Republic of Belarus” passed in 1992), all adults received housing vouchers with a nominal value corresponding to the time that they had lived and worked in Belarus. Such vouchers could either be sold (for a period at market prices, later only at government-regulated prices) or used for the purchase of occupied (existing) public housing, house construction or the purchase of newly constructed housing for needy households (see below). All public housing tenants received the right to buy their occupied flats at prices that had been set by the Government at a low level. For the overwhelming majority of people, this meant a free-of-charge transfer of dwellings into their full ownership (i.e. they received subsidies in the form of real estate property).

**Support of new construction of owner-occupied housing.** This is realized mostly by municipal unitary enterprises of capital construction, which operate on a limited-profit basis. (Prices per m<sup>2</sup> of newly constructed dwellings and profits are regulated.) This housing is allocated to people in need registered on official waiting lists. New construction is accompanied by additional owner-occupied housing provided by industrial enterprises (mostly in State ownership) and agricultural cooperatives for their employees. According to current legislation, the provision of funds (credit) is a licensable bank activity. According to Presidential Decree No. 296 of 5 May 2006 “On Regulating the Use of Financial Resources of State Organizations and Business Companies with a State Share in Authorized Funds”, employees of public sector organizations and business companies who are registered as needy are allowed to borrow funds from State organizations and private companies involved in the construction, reconstruction or purchase of housing.

**Enabling the purchase of newly constructed owner-occupied flats through soft loans (credit at below-market interest rates)**

**allocated to people in need registered on waiting lists.** This is carried out by the two dominant State banks: Belarusbank for physical persons and Belagroprombank for legal persons. The State provides interest subsidies to these public banks to cover the difference between qualified interest on soft loans and the discount rate of the National Bank increased by three percentage points margin (i.e. the interest subsidy is equal to 9–11 percentage points). In the case of housing constructed and allocated by enterprises and agricultural cooperatives, the soft loans are extended to employees directly by legal persons, and employees can either ask for the same interest subsidies as State banks or refinance loans via soft loans allocated by Belagroprombank.

**Targeted supply-side and demand-side subsidies to people in acute housing need.** These subsidies go to Chernobyl resettlers, priority groups (e.g. young couples, families with more than three children, handicapped persons, orphans, people living in unhealthy housing) and people deserving special status due to their public service (e.g. professional soldiers, key public workers, veterans, war heroes). Subsidies can take different forms, e.g. construction and free of charge allocation of owner-occupied housing to Chernobyl resettlers, construction and allocation of social housing, grants to cover part of soft loan values, redemption of part of soft loan values, subsidies to refinance housing vouchers, and allowance covering housing costs exceeding 25 per cent of net household income.

**Non-targeted, means-tested revenue subsidies to cover the major part of the maintenance, repairs, reconstruction and utility costs connected with housing (e.g. heating, gas, maintenance, capital repairs).** These are distributed from the State budget to public regional maintenance companies, homeowners’ associations and utility providers. Subsidies connected with the building of infrastructure, especially for newly built housing, are allocated to people in need.

## **B. Public subsidies for housing**

The system of public subsidies is relatively complex and eligibility criteria for different types of subsidies overlap. According to Presidential Decree No. 185/2000 (with later amendments), the

main legislative act specifying eligibility for different types of subsidies, each household with less than 15 m<sup>2</sup> of floor area per person and all households without housing in the place of living or work (including people living in private rental housing) can register themselves on district waiting lists and thus be eligible for soft loans and new housing constructed by public limited-profit companies. As of 1 January 2008, 717,500 citizens were registered on the national list of persons in need of improving their living conditions, of which 160,500 had been waiting for more than 10 years. Approximately 50 per cent were young people under age 31. The average waiting period in Minsk is more than 30 years, but it is shorter in smaller cities and villages. In the middle-sized city of Lahoysk, for example, the average wait is about eight years.

According to another Presidential Decree approved in 2005, several priority groups can register on waiting lists without any conditions and are supposed to receive housing on an immediate basis, namely: (a) young couples (in which at least one person is age 31 or younger); (b) families with more than three children; (c) handicapped people; (d) war veterans; (e) orphans; and (f) people living in houses in disrepair. According to this Presidential Decree – due to the negative demographic situation that is currently one of the country's highest priorities – families with more than three children should obtain housing within the period of one year.

Although the eligibility is related both to the allocation of soft loans and the possibility of buying new housing constructed on a limited-profit basis by public companies, an eligible household can also use a soft loan to purchase existing housing, to construct their own individual family house or – according to the latest programme – for construction of cooperative housing with regulated construction costs. However, in such a case, the loan-to-value ratio for soft loans decreases to 70 per cent and the value itself is limited by two normatives: (a) the maximum price/costs per m<sup>2</sup> of dwelling floor area set by specific annual resolution of the Government; and (b) the national bank for each region (e.g. the maximum in Minsk in 2007 was \$500 per m<sup>2</sup> of floor area). The maximum size of dwelling set in the Presidential Decree No. 185/2000 (a maximum of 20 m<sup>2</sup> of floor area per person in the household).

The remaining part of the costs or purchase price should be covered by the household's own means of or through financing from commercial banks.

The conditions of soft loans are very advantageous when compared to market alternatives: the loans have 20 (for urban areas) or 40 years maturity (for rural areas), with interest rate of 5 per cent (for urban areas) or 3 per cent per year (for rural areas and households with high priority) and a loan-to-value ratio of 90 per cent (for urban areas) or 95 per cent (for rural areas and households with high priority). By comparison, market housing loans in Belarusian roubles have a maximum of 15 years maturity with an interest rate of 16–19 per cent per year. Very strict income eligibility limits are also applied. In addition, even though for both soft and market loans the mortgage of property is required, due to the fact that the rights of mortgagee are still not appropriately legally set, the realization of possible foreclosure and eviction in the case of default is not common. However, these problems will be addressed by the Law "On Mortgage", adopted in June 2008 and due to enter into force in 2009.

Certain vulnerable groups of the population can receive an additional down payment grant to cover a part of a loan's value; the eligibility for grants is specified in the Government Resolution No. 555/2002 and the Resolution of the Ministry for Construction and Architecture No. 15/2003. The grant can be allocated only to households registered on waiting lists that belong to the category of low-income households: those households where the net income per person is lower than the doubled individual subsistence minimum wage. The grant can be used in the same way as a soft loan, (i.e. specifically for construction (in the case of family housing) and purchase of housing (mostly housing constructed by public limited-profit companies)). In some cases, the grant can also be used for reconstruction of a flat, and it can be combined with the soft loan. The maximum grant amounts to 70 per cent of the "normative" price or construction costs; normatives on price/costs per m<sup>2</sup> of floor area and size of dwelling are the same as in the case of a soft loan. The amount of the grant is dependent on the number of years spent on the waiting list and the level of household income. For example, a household registered on a waiting list for 10 years

**Table 7. Nominal value of housing loans extended by Belarusbank for the construction and acquisition of housing, 1996–2007 (in billions of Belarusian roubles)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Total value of extended loans (10 <sup>9</sup> BLR)	1.3	7.2	14.0	37.5	71.2	124.8	190.0	338.8	475.6	799.5	1,110.7	1,548.6	4,726.7
Soft loans in line with Decree 185 (10 <sup>9</sup> BLR)	1.3	7.1	13.8	36.2	68.5	121.3	161.5	256.8	323.2	607.6	828.4	1,142.8	3,568.7
Loans extended on a common basis (10 <sup>9</sup> BLR)	0.04	0.1	0.2	1.2	2.6	3.5	28.5	82.0	152.4	191.9	271.8	358.6	1,100.3
Loans relating to Decree 75/2006 <sup>a</sup> (10 <sup>9</sup> BLR)											10.5	39.5	50.0
Loans relating to Decree 368/2006 <sup>b</sup> (10 <sup>9</sup> BLR)											9.0	7.7	7.7

<sup>a</sup>) Presidential Decree No. 75/2006 “On Soft Loans for Capital Repairs and Reconstruction of Housing, Construction of Infrastructure to the Citizens Permanently Living in Municipalities with Less Than 20,000 Inhabitants”.

<sup>b</sup>) Presidential Decree No. 368/2006 “On Measures of Regulating Relations When Providing Natural Gas Supply to the Existing Housing Stock of Citizens”.

Source: Belarusbank. 2007

with an income per person lower than the subsistence minimum should receive a grant covering 40 per cent of the normative value of the dwelling. For young couples, an exception applies: the number of years spent on the waiting list is not counted. There are many other exceptional cases defined in the resolutions.

Families with children, with no regard to their income, can also ask for the redemption of the part of soft loan value (of the outstanding balance), depending on the number of children. Families with one child can ask for redemption of 10 per cent of the outstanding balance. Families with two children can ask for redemption of 20 per cent, families with three children for 30 per cent, and families with four children for 50 per cent. Families with five and more children can apply for redemption of the full outstanding balance.

Since 2005, based on the Presidential Decree No. 565/2005 and the Housing Code, the State has also fully subsidized the construction of social housing for persons registered on waiting lists whose households became unsuitable for living due to a natural disaster, technological catastrophe, war or terrorist act. Also eligible are households with seriously ill members, orphans, war heroes, war invalids, war veterans or professional soldiers and low-income people who are handicapped or incapable of work (pensioners) or have more than three children. Social housing is allocated from a part of newly

constructed housing and is free of charge, but future privatization to current tenants is not allowed. Social housing is spatially mixed with new owner-occupied housing to prevent social segregation. The rent and utility payments are regulated by tariffs (see below). In 2006, 947 social flats were finished (256 flats in Minsk) and allocated to needy households.

There are several other housing subsidies: grants to professional soldiers, subsidies for repurchasing unused housing vouchers, subsidies for the construction of dwellings for households resettled due to the Chernobyl catastrophe and subsidies for the construction of housing for key public employees. Although subsidies for construction of housing for resettled households from territories affected by the Chernobyl catastrophe (with contamination of more than 15 Ci – about 20 per cent of Belarusian territory) were substantial in the past (almost 65,000 flats have been constructed through this programme), the current resettlement programme is minor. In addition, there is a subsidy covering all homeowners or public tenants whose housing costs exceed 25 per cent of their net monthly income, and there are also additional supply-side subsidies for the construction of small family houses in rural areas. In five years' time, it is expected that another national programme, the Government Programme on Rural Development for 2005–2010, will construct additional 50,000 small-family houses as a part of the plan to improve labour

market performance in rural areas by establishing “agricultural cities” (*agrorodki*).

In general, the highest volume of public spending from the total above-mentioned subsidies goes to the following categories: (a) subsidies for building of infrastructure for new housing construction (355 billion roubles in 2007); (b) interest subsidies (268 billion roubles); (c) grants to needy households (65 billion roubles); (d) subsidies for social housing construction (54 billion roubles); (e) grants to professional soldiers (33 billion roubles); and (f) subsidies directed at the repurchase of housing vouchers (27 billion roubles). In total, these correspond to about \$375 million, or more than 10 per cent of GDP in 2007. In 2006, the costs of new housing construction were covered through own savings of purchasers (52 per cent), housing loans (39 per cent), State subsidies (5 per cent) and industrial enterprises and agricultural cooperatives (4 per cent). Although these figures confirm a diminishing role for State subsidies, the picture hides price and profit regulations during housing construction and the existence of very long waiting periods to be eligible for subsidies (including soft loans); they also reveal a relatively large share of reliance on personal savings to purchase new housing.

### **C. Public revenue subsidies**

The most important revenue subsidy for existing housing is the one covering the difference between maintenance, management and utility costs and so-called tariffs – i.e. the regulated prices paid by the population. The levels of tariffs are prepared annually by the Ministry for Housing and Communal Services and the Ministry of the Economy based on macro- and microeconomic expectations (e.g. utility prices, housing construction costs, income growth). They are subsequently approved and announced by the Government for the following year. According to a Presidential Order, the total amount of tariffs should not increase annually by more than the Belarusian rouble equivalent of \$5 at the conversion rate set by the National Bank of the Republic of Belarus. Current tariffs are equal to about 30–40 per cent of the total maintenance, management, modernization and utility (mainly water and gas) costs for the normative area of serviced dwelling (20 m<sup>2</sup> per person plus additional 10 m<sup>2</sup> per family); for additional sizes of normatively serviced dwellings, the household has to pay the full costs. The remaining 60–70 per cent of costs is partially covered by leases on

commercial premises (in urban areas), but mainly from public budgets in the form of subsidies to regional management and maintenance companies, homeowners’ associations and utility providers. For example, households in Minsk pay for technical services (management and maintenance) 0.10 United States dollars/m<sup>2</sup>/month, while total costs of services (computed and regulated centrally) come to 0.25 US dollars/m<sup>2</sup>/month – 0.15 is covered by commercial leases and 0.10 by public budget subsidies. All Belarusian households are eligible for this type of subsidy regardless of tenure or income. (The subsidy is a bit higher for households living in urban areas.)

Maintenance, capital repairs (modernization) and management of apartment buildings in cities are in most cases performed by State-owned companies that are subordinated to local executive and administrative bodies. In 2007, 55,993 apartment houses with more than 100 million m<sup>2</sup> housing floor area were maintained by those companies, while private management companies maintained only 516 buildings with more than 1 million m<sup>2</sup> of housing, homeowners’ associations 390 buildings with about 2.3 million m<sup>2</sup> of housing, and housing cooperatives 2,252 apartment houses with about 4 million m<sup>2</sup> of housing. Only 15 private non-government enterprises were active in the field of housing maintenance as of 1 January 2008.

Though most of the flats are privatized, the building structures and common areas of apartment houses with privatized dwellings, based on the signed decisions of new homeowners, mostly continue to be maintained by public maintenance companies. Homeowners’ associations are not established in such case. The system of finance for maintenance and repairs is thus the same as for the remaining part of public rental housing: homeowners’ contributions towards capital repairs and maintenance are set by tariffs and are accumulated in one common budget for capital repairs and maintenance of the public maintenance company, i.e. there are no separate budgets for each apartment house. Repairs and modernizations are planned and realized by maintenance companies according to the general rules on housing management, and homeowners have no power to influence the decision process.

The homeowners’ associations and housing cooperatives can, on the other hand, directly influence housing management and choose the management company. For capital repairs, homeowners and cooperative members contribute

to the separate budgets established for each association or cooperative and may decide on the use of the accumulated resources. They also receive subsidies to cover the difference between tariffs and normative housing costs. However, the operation of associations is connected with additional costs and administrative actions (e.g. payment of awards to board members, the necessity to conclude new agreements with utility providers). The fund for capital repairs starts with “zero” when the association or cooperative is established (which is important for older housing with high hidden debt for housing maintenance) and therefore the switch to a homeowners’ association as the legal type of management is progressing very slowly. There are few incentives for homeowners to establish an association and there is no compulsory time frame set in legislation. In practice, associations are set up almost exclusively in new apartment houses and very few in houses with privatized dwellings. Many inhabitants of privatized flats regard the common areas and structures of their apartment houses as if they were still publicly owned, blaming the State for their poor maintenance.

#### ***D. Financing of subsidies and housing affordability***

Interest subsidies and loan redemptions are paid to the State banks responsible for extending the soft loans directly from the State budget; other subsidies and grants are allocated from oblast budgets. However, public budget incomes and expenditures in Belarus, though divided into several (basically two) levels according to the level of administration (the State and five oblast budgets plus the budget of the city of Minsk), are set up and approved as a single, “consolidated” budget. There is no rule on the share of tax income that should stay within the oblasts where the taxes were collected, nor is there any rule on redistribution of tax income to lower levels of administration. The main goal of pre-approved budget expenditures for each year is to assure that the targets of the national programme (plan) elaborated by the Ministry of the Economy will be met. To fulfil this goal, the oblasts’ budget expenditures may increase or decrease each year, and therefore the redistribution formula (based on revenues from income and VAT taxes) may also change. Relevant legislation is approved in the Parliament as part of the annual State Budget Law. The President can also make substantial changes in the structure of public expenditures. The fact that all national and oblast budgets are finally approved as one consolidated

budget and that expenditures are mainly directed to fulfil central programmes makes separation of budgets less relevant. The deficit of the public “consolidated” budget has usually been very low and it only started to increase in recent years; in 2007, it was about 2 per cent of GDP.

Thanks to capital and revenue subsidies, price and profit regulation in housing construction, soft credits, centrally set tariffs on maintenance and capital repair operations – among other forms of State involvement – household housing costs constitute a smaller share of total household expenditures than is known for other transition countries. In 2007, housing costs constituted, according to the Sample Household Survey, 7.4 per cent of average total household expenditures (7.6 per cent for urban settlements and 6.7 per cent for rural settlements). The percentage of households in arrears (i.e. principal non-payers or in debt) is also low: between 3 and 5 per cent. However, in 1995 the share of housing costs in total household expenditures was only 4.7 per cent and many households may perceive the current situation as a sharp rise in housing costs (especially when 41.5 per cent of average household expenditures were spent on food in 2007). The monthly annuity instalment for a soft loan with 20 years maturity and 5 per cent interest per year on a newly constructed 40 m<sup>2</sup> flat (for two adult people, normative area) with a regulated price in Minsk is estimated to be around \$120 (2006). The average monthly salary at the same time was about \$250. So even in the case when both adults are working for an average salary, it would require 25 per cent of the household income just to pay off the loan.

The employment and income situation of households may also substantially deteriorate if further structural economic changes are required due to increases in gas and oil prices and global competitiveness pressures. Owing to overemployment, underinvestment in industry and inefficiencies in the production of agricultural cooperatives, such structural changes could substantially worsen the economic situation of 30 per cent of Belarusian households, according to estimates by economists.

#### ***E. Private housing development***

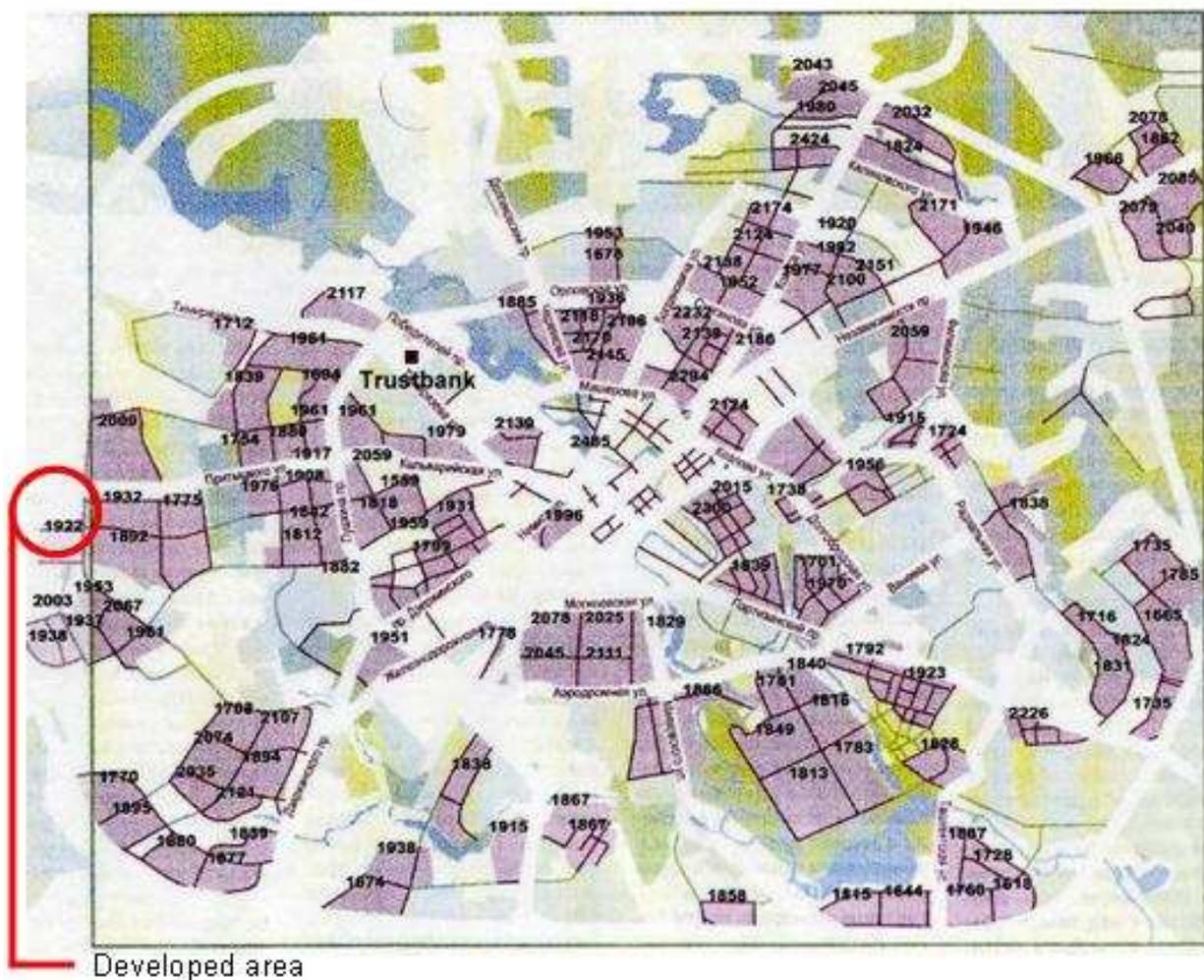
The performance of private housing development as well as of housing finance from private banks remains elementary when compared to more advanced transition countries: the private sector in Belarus is really still in its infancy.

Although it is relatively common to build privately (individually) owned family houses in rural areas, there are relatively few private development and construction companies involved in the construction of apartment housing. This is the case even though there is no VAT for new housing construction. Private developers sell new housing for prices several times higher than those of public limited-profit companies; their sale prices are comparable to those in developed transition countries, e.g. Czech Republic, Hungary or Slovenia (about \$2,000/m<sup>2</sup> of floor area). The sale prices of existing housing are also relatively high (figure VII).

The high sale prices of new housing are caused by the use of higher-quality building technology (e.g. bricks instead of prefabricated

high-quality materials for flooring, baths, kitchens, etc.), and also the risks connected with the lack of project finance and interference by the public authorities during the construction process, changing “the rules of the game”. Additional costs are connected with the compulsory purchase of different “options”, which are, in fact, used by developers (see below). These costs can include the need to connect to services that are not covered by developers. Problems encountered in this regard include the lack of competition due in part to much regulation (e.g. licensing, requirements for high capital value for construction firms), the necessity of having social connections to buy and develop land, and the high demand for new housing among households who do not want to wait for many years on waiting lists and have decided to buy.

Figure VII. Sale prices of existing apartments in Minsk, May 2007 (in United States dollars per m<sup>2</sup> of floor area)



Source: Trustbank.

The main obstacles to the improvement of private development performance and lower profit margins seem to be: (a) the high risks connected with non-transparent, unsettled and changing conditions related to housing development; (b) the duties to pay for different unreasonable options; (c) unfair competition during land sales and in the allocation of subsidies for infrastructure between private and public companies; (d) excessive bureaucratic procedures; (e) high requirements on minimum capital value of private construction firms (\$2.5 million); (f) short interval periods for the renewal of housing development licences (every fifth year); and (g) the reported need for gaining access to wide informal networks to finalize the project successfully.

The private developer should, for example, pay to the municipality a certain amount for the right to ask public project officers to prepare a project, even in the case when she or he is not going to use their service. The private developer may ask for subsidies for the building of infrastructure, but public limited-profit companies are – according to the opinion of developers – generally given priority. The same occurs in the case of sale of land at a “cadastre price”. Some part of newly built private housing should be generally transferred free of charge to the municipality. It may happen that during the process of finalizing the building permission, the municipality will ask for another flat or put a price ceiling on part of newly constructed housing. In 2006, advance payments by final clients during housing development were forbidden, and due to the general lack of the appropriate project financing, this situation negatively affected the performance of some developers. The private developers mainly stressed the lack of transparency in the whole process, and the considerable power of the public authorities makes their projects very risky. Foreign investments are restricted and there is a general preference for large, already well-known companies with much capital at the time of land sales and housing construction licensing.

#### **F. Market-based housing finance**

Housing finance from private banks is also limited due to the significant market share of State banks and the still relatively high inflation, but also to the low level of competition, the lack of liquidity and the characteristics of the existing legislation.

The issues of eviction and foreclosure remain problematic. The debtor is, due to the

prevalent legislative framework, often asked not to take up permanent residence in a purchased flat until the loan has been repaid (to facilitate potential foreclosure procedures). Sometimes the “lease-housing loans” still appear when the debtor has yet to become the flat owner and to repay the loan, and all instalments made by the debtor to the bank are treated as rental payments. These problems are supposed to be addressed by the entry into force of the draft Law “On Mortgage” in 2009.

Most of the banks have very limited possibilities to match long-term loans with long-term deposits, as there are few possibilities to secure loans outside of the country (Belarusian banks lack international ratings) and legislation on mortgage bonds and on the secondary mortgage market (e.g. refinancing by sale of mortgage-backed securities) is lacking. There is also the question of a lack of markets for those securities, because the capital markets are developing only gradually. There are no deferred payment mortgages or indexed mortgages that would help with the “tilt problem” typical of inflationary economies. As a consequence, there are no loan repayment alternatives and the only option is repayment by the annuity instalments. For most private banks, housing loans are of short maturity (up to 10, and exceptionally 15, years) with interest rates between 16 and 19 per cent per year (13–15 per cent per year for loans denominated in United States dollars) and with a maximum loan-to-value ratio of 75 per cent. The dominant State savings bank, Belarusbank, offers slightly better conditions on “normal” market loans following, presumably, from implicit guarantees of the State for bank liquidity: housing loans with a maturity of 15 years, an interest rate 16 per cent per year and 75 per cent loan-to-value denominated in local currency or, alternatively, loans with maturity of 10 years, an interest rate of 13 per cent per year and a 90 per cent loan-to-value denominated in United States dollars. The US dollars short-term simple deposits generally yield an interest of 8–10 per cent per year, which is relatively high and shows the risks and problems with liquidity in the Belarus banking system.

There are 28 banks operating in Belarus (with another three banks in liquidation processes). In 15, foreign capital has a more than 50 per cent share. The level of market concentration is, however, high. Two State banks – Belarusbank and Belagroprombank – concentrate almost 70 per cent of the total banking capital and 52 per cent of total banking assets. Banks with a State ownership share

of over 50 per cent hold more than 80 per cent of total banking capital and more than 70 per cent of total banking assets. The only important fully private bank is Priorbank, with a majority share owned by the Austrian bank, Raiffeisen. Priorbank has a 7 per cent share of total banking capital and an 11 per cent share of total banking assets.

Housing loans are extended by 15 banks, three of which are in State hands. Belarusbank has a 55 per cent share of the total outstanding housing loan balance. Belagroprombank has a 27 per cent share and three banks have the remaining 18 per cent share. In total, 72 per cent of outstanding housing loan balance relates to soft loans and only 28 per cent of balance relates to market housing loans.

A system of housing savings schemes has not yet been implemented, but efforts are being made to establish one in the near future. Although the details of the scheme are not known, it should be an “open system”, i.e. closer to the French savings system than to the German-Austrian *Bausparkasse* scheme (due to fears of the high subsidy costs generally connected with this scheme). Up to now, Belarusbank has had its own separate housing savings division. People, regardless of whether or not they are registered on a waiting list, can save for their future housing. After some period of savings, they can receive a housing loan with an interest rate equal to the discount rate of the National Bank plus one percentage point (10.25 per cent per year in July 2008).

### **G. Assessment**

The system of housing finance as a whole is clearly half way between a State-based and a market-based one, and it is still more biased towards public finance. This is the case in aspects regarding management and maintenance of housing, construction of new housing and extension of credit for purchase. The level of subsidies is comparatively high, especially when taking into account economic subsidies (house privatization), cross-subsidies (dealing with management and utility consumption) and implicit guarantees for the performance of State companies and banks. Theoretically, it is not important whether the housing services are assured by the public or private sector; the question for the first option, however, is whether public budgets are prepared for long-term commitment in housing and whether there are ways that could save public financing for other purposes.

Generally, the system of subsidies for the acquisition of housing in Belarus is rational and clear in its basic pillars. Interest subsidies are one of the legitimate tools to increase affordability of housing loans during high inflation periods if they are allocated to people in need to improve their housing conditions. The level of interest on the subsidies relates to the discount rate of the National Bank, which allows for immediate flexible changes and potential public savings. Public spending on this subsidy may grow quickly because subsidies are paid both on new loans and old outstanding loan balances. However, if it is a clear common goal of both the Government and the National Bank to further decrease inflation, it can be sustainable over time due to low inflation. The interest subsidies are complemented by targeted down-payment grants to low-income households. Because these households often do not have their own savings or wealth, and due to the negative demographic growth, they are complemented by the possibility to amortize part of the loan balance to families with children, creating incentives for a higher birth rate.

The social housing construction and allocation rationally closes the subsidy system by assisting people who could not afford to repay the loan (even with interest subsidies and down payment grants) due to their age or disability, acute housing need or danger of social exclusion or homelessness. Selected groups of people – due to their merits (e.g. veterans, the disabled and war heroes), importance to the State (e.g. key public workers, professional soldiers) or importance to positive, long-term socio-economic development (e.g. families with more children) – receive priority and even the possibility to choose between different subsidy alternatives. Additionally, particular incentives are created to motivate other stakeholders to finance housing construction, e.g. industrial firms or agricultural cooperatives, and in this way to save public financing. The general framework is therefore well-targeted and theoretically effective.

However, when taking into account particular settings, two main problems occur: (a) the actual number of people eligible for subsidies many times exceeds the possibilities of public budgets; and (b) numerous exceptions in particular settings and some later amendments or presidential decrees have made the eligibility for subsidies less transparent and clear. Due to the changes in eligibility criteria, some households may get priority, but some others may have to wait longer.

Eligibility for interest subsidies and allocation of a new flat constructed on not-for-profit basis is not limited by household income or shortage. This might be understandable for interest subsidies, but it is much less understandable for the right to buy inexpensive, new, not-for-profit owner-occupied housing. Combined eligibility, both for an interest subsidy (soft loan) and for inexpensive new housing, has some drawbacks. First, it substantially prolongs the waiting period for receiving the interest subsidy, especially among those “needy” who do not want to buy new housing. Secondly, it substantially decreases freedom of choice during the purchase of housing, as households on waiting lists are supposed to take the newly constructed flat on offer. In some cases, housing or other types of wealth (inherited, gifted or purchased) outside the place of permanent residence or place of work are generally not taken into account in the eligibility criteria. However, individual ownership of dwellings is taken into account, for instance, when determining the amount of a soft loan. Also, the right to be registered on a waiting list is based mainly on area per person of household. This is not an appropriate measure of housing need (the eligibility is too wide) and it can be abused. The discrepancy between potential and actual eligibility for subsidies (a long waiting period) and frequent changes of rules substantially decrease the transparency, rationality and efficiency of the whole system. Due to their growing complexity, the eligibility criteria are becoming less intelligible, even for the people responsible for implementing the housing policy strategies.

The subsidy to cover a part of maintenance, management and utility costs is very different from the theoretically well-prepared framework of subsidies related to acquisition of housing. The goal of this subsidy is, presumably, to increase housing affordability for Belarusian households already much burdened by food expenditures. In spite of this goal, this subsidy is not income-targeted and mingles with another means-tested subsidy covering all housing costs exceeding 25 per cent of household income. The actual

distribution of this subsidy is most probably skewed in favour of urban households, who are generally higher-income. Such a subsidy does not create any incentive to take seriously the challenges of high future energy prices, nor of the need for immediate measures to decrease energy waste in heating. Moreover, this subsidy is not limited to utility payments, but also covers repair and modernization costs, including in already privatized flats – again with no clear targets. There are few real homeowners’ associations in Belarus that have taken responsibility for maintenance of their houses, and many people cling to the belief that common areas and structures of apartment houses have remained in State ownership. Such a false belief strongly decreases the desired effects of public housing privatization, namely to encourage owners to take responsibility for maintaining and modernizing their dwellings. In addition, spending on capital repairs is low, largely insufficient for the necessary modernization of the housing stock, and additional finance is strongly needed in this field.

With the assumption that there is always a need to save public finance for other areas than housing, additional critical points arise. The positive macroeconomic development and drop in inflation should go hand in hand with giving the private sector more of the playing field. However, both private housing development and private housing finance are relatively underdeveloped in Belarus. In both areas, competition is lacking, and private developers face regulations that are too complex. The private banks face low liquidity (especially for long-term deposits) and high credit risk (due to an inappropriate legal framework). Under such conditions, the private sector cannot outperform the public one, and no private savings can be realized.

Some of the regulations may be understandable, especially in a period of broad legislative change during the transition where there is room for abuse and speculation. On the other hand, such regulations should not hamper competition, because the strength of the private sector is visible only in a competitive environment.

## *Chapter IV*

# *LAND ADMINISTRATION AND SPATIAL PLANNING*

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### **A. Land administration**

#### ***Legal and institutional framework for land administration***

Land administration in Belarus is based on the following main legal instruments: the Civil Code, the Land Code, the Law “On State Registration of Real Estate, Rights to It and Transactions with It”, the Presidential Decree “On Valuation Activities in the Republic of Belarus”, the Presidential Decree “On Expropriation and Allocation of Land Plots” and the Law “On Payments for Land”.

The State Property Committee is the specially authorized State body implementing a uniform State policy in the spheres of land management, the State Land Cadastre, the State Register of Real Estate, Related Rights and Transactions, and valuation. The State Property Committee has delegated the accounting functions of the Land Cadastre to the National Cadastral Agency (NCA).

In 2002, a Presidential Decree established NCA as a national organization for State registration of real property. The functions of NCA in this regard were established by the Law “On State Registration of Real Estate, Rights to It and Transactions with It”. In particular, NCA performs manages the Real Estate Register, provides methodological guidance and common direction of the territorial organizations of State registration, and monitors their activities. It also certifies registrars and oversees their activities.

The territorial organizations for State registration ensure the formation of real property and its State registration, rights to it and transactions with it. They also exercise certain other functions within the territories of their districts. There are seven registration districts in Belarus, one of which is the city of Minsk. The other six coincide with the borders of six areas of Belarus. The State registration system employs more than 2,400 people, 800 of whom are registrars. Only these personnel are allowed to introduce data to the records in the Real Estate Register. The organization for State registration

has 125 structural units (local offices), which are located throughout the country.

The Unified Registry of Administrative-Territorial and Territorial Units of the Republic of Belarus stores information about the names, sizes and borders of administrative-territorial and territorial units as well as their administrative centres. Administrative-territorial units include regions, districts, village councils, cities and urban-type settlements where local councils of deputies and government executive bodies are established. Territorial units also include rural-type settlements where councils of deputies and executive and administrative bodies are not established, and also territories with restricted use. These can include, inter alia, areas of outstanding natural beauty, national parks, historical and natural monuments, and conservation areas.

Under the Land Code, the State Land Cadastre consists of: (a) the State Register of Real Estate, Rights to It and Transactions with It; (b) the State Land Value Register; (c) the State Real Estate Prices Register; and (d) the Land Resources Register of the Republic of Belarus.

The State Register of Real Estate, Related Rights and Transactions provides information about real estate, rights to property and related transactions. (The cadastre and registration of rights to real estate have been merged into one system.) It stores information and documents on: (a) registered land plots and immovable properties belonging to them, including information about location, size, boundaries designating use of land plots, and the rights to such land plots; (b) restrictions (encumbrances) of rights including land easements; and (c) transactions.

The State Land Value Register contains data on the cadastral value of land plots obtained through cadastral land evaluation.

The State Real Estate Prices Register stores information on the cadastral value of land plots and properties attached to it and records the dates of land and real estate property transactions. It was developed on the basis of the State Register of Real Estate, Related Rights and Transactions.

The Land Resources Register contains data on: (a) distribution of land categories and types; (b) land tenure holders; (c) the composition, structure, condition, quality and use of land; and (d) other information about uses of the land.

State registration is mandatory for the following properties: land, permanent structures (buildings), incomplete permanent structures, isolated spaces (including premises) and enterprises as property complexes. Rights and obligations exist from the date of property registration. State registration can be invalidated only by a court decision.

### ***Privatization and ownership***

Private ownership of land in Belarus reappeared in 1993. The Land Code, adopted in 1999, is the basic legal act regulating all types of relations associated with the land. The Code states that property in Belarus can be in the hands of the State and/or private actors.

The Land Code regulates the private property rights of citizens, non-governmental legal entities and foreign States. Article 34 establishes that land can be given into ownership in the following circumstances:

**Establishment of a household by citizens of Belarus (one family member) living in rural settlements and urban settlements.** Rural townships' executive and administrative bodies grant additional land parcels in lifelong inherited possession or private ownership in order to keep a household size of at least 1 ha, including the land given for construction and maintenance of an apartment house. Moreover, rural executive and administrative bodies can grant land parcels for lease up to 3 ha for this same purpose. Rural executive and administrative bodies establish the exact size of land parcels depending on local conditions and characteristics.

**Construction and maintenance of an apartment house.** (In cities, from 0.05 to 0.15 ha in size, in rural and urban settlements, from 0.15 to 0.25 ha.) Depending on local conditions and characteristics, land parcels for construction and maintenance of an apartment house can be granted to citizens as follows: in cities, less than 0.05 ha; in rural and urban settlements, less than 0.15 ha. The

granting of land parcels is done with the consent of citizens and with respect to fire prevention as well as sanitary, ecological, building and other norms and rules.

**Conducting collective gardening.** Land parcels for collective gardening are granted to Belarusian citizens in lifelong inherited possession or in private ownership. Land parcels are granted by regional executive and administrative bodies at a rate of up to 0.15 ha to one member of a cooperative, depending on local conditions and characteristics.

**Construction of a dacha.** Land parcels are given to citizens of Belarus to construct a dacha in lifelong inherited possession or in a private ownership at a rate of up to 0.15 ha, to one member of a cooperative society.

Upon the President's decision, land can also be transferred into the possession of non-governmental legal entities. The Land Code establishes that 89 foreign States can own a land parcel necessary for the maintenance of buildings (a part of buildings) and for the accommodation of diplomatic representatives or the consular delegation of the foreign State in Belarus. In exchange, Belarus may have access to land parcels in foreign States for the same purposes.

In a referendum held 24 November 1996, citizens decided that the mineral, water and forest resources of the Republic of Belarus would be under exclusive domain and control of the State. Agricultural land is also publicly owned. These lands make up 86 per cent of the total land area of the Republic (the remaining 14 per cent of land can be transferred into private property). The majority of legal entities hold the right of permanent perpetual use of land.

According to State Land Cadastre data, as of 1 January 2008 the total area of land in the country amounted to 207,598 km<sup>2</sup>. Of this, 716 km<sup>2</sup> of land is in private ownership, which represents 0.3 per cent of the total area of land in the country, and it is currently possible to transfer to private ownership another 8 per cent (8,955 km<sup>2</sup>) of the total area of land. The majority of legal entities have the right of permanent use.

In the country, 4,515 km<sup>2</sup> of land is leased. This leased land makes up 2.2 per cent of the territory. Of this, 181 km<sup>2</sup> (0.1 per cent) is leased to citizens and 4,334 km<sup>2</sup> to legal entities and individual entrepreneurs.<sup>17</sup>

Privatization mainly concerns apartments. According to Real Estate Register data, 1,019,395 apartments are in private ownership.

A great number of unregistered land parcels and buildings still exist, which limits the effective performance of the Real Estate Register. Registration of land parcels and buildings in the Real Estate Register depends on real property formation processes, which are highly complex in Belarus.

### ***Real estate evaluation***

Until 2007, the valuation of real estate, except mass valuation, was not regulated by law in Belarus. During this period any natural or legal entity could be engaged in valuation activities. This situation changed after May 2007, when the Presidential Decree "On Valuation Activities in the Republic of Belarus" entered into force. The Decree states that only certified appraisers can carry out the valuation of objects of civil rights, including of real estate.

The system of valuation standards of real estate was developed in 2007. Standards

determine: (a) the kinds of value, methods of valuation and methods of calculation of value of real estate; (b) requirements for primary information; (c) the procedures, results and documents of valuation; (d) the requirements for appraisers and executors; and (e) mutual relation between the customer and the executor of valuation. Standards of valuation are obligatory for appraisers.

The State Property Committee of Belarus is responsible for certifying appraisers. Appraisers are certified to perform appraisals of the following: land parcels, permanent structures (buildings, constructions), isolated spaces, incomplete constructions, enterprises, property complexes and other property. The procedure for certifying appraisers is prescribed by regulations approved by the Council of Ministers. Certification activities started in May 2007.

Mass valuation is carried out for land parcels. Also called cadastral valuation, this provides the cadastral value of land parcels. Mass valuation of the settlement land started in Belarus in 2003 as a result of a decision made by the Council of Ministers. Cadastral valuation can be performed only by the State organizations employing specialists with certificates for valuating land parcels. The State Property Committee develops mass valuation methodologies and software and performs most of the mass valuation.

Different methods of mass valuation are used to appraise land of settlements and gardening associations as well as commercial and industrial lands outside of settlements. The choice of the most appropriate model of mass valuation is correlated with the market value of land. Results of cadastral valuation are recorded in the State Land Value Register. This Register, as mentioned above, is a part of the State Land Cadastre, and was developed in 2007. Access to the Register is free of charge via the Internet.

### ***Real estate market and lease***

The real estate markets broadly reflect the uneven economic development of Belarus: the land markets are barely developed, the non-residential real estate markets are better developed, and the residential real estate market is the best developed sector.

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<sup>17</sup> The land leased by citizens for various purposes amounts to 11,450 km<sup>2</sup>, or 5.5 per cent of the total land area. It should be noted the small amount of land privately owned by citizens can be explained by the fact that there is no difference between possibilities to use land plots transferred to private ownership and land plots with individual residential houses granted under the right of lifetime inherited ownership. For this reason, almost no one has made use of the opportunity to buy their land plots at the discounted price that equaled the fivefold land tax rate, despite the fact that all Belarusian citizens enjoyed this opportunity in the period 1993–1999. The same holds true for land plots used by legal entities. Despite the fact that legal entities were legally entitled to buy land plots and make them private, they have preferred to use land plots under the right of permanent or temporary use. This option is free of charge, but the possibilities of use are identical to the possibilities of use for land plots transferred to private ownership.

In accordance with existing legislation, land plots used for various purposes can be in the ownership of citizens, and in the cases of certain categories, in the ownership of legal entities. The institutions related to rights of legal entities are underdeveloped. This category possesses other property rights besides the right of ownership, namely the rights of permanent use and of leasing. Local executive and administrative authorities usually act as lessors. Terms, conditions and rental value are set by mutual agreement of the parties and are fixed in the rental agreement. The land lease term shall not exceed 99 years and in the case that it is leased for agricultural purposes, not less than 5 years. Land plots can also be subject to pledge in the case of credit security.

The following trends in land reform development can be observed: (a) development of lease market; (b) transition to a payment-system based on cadastral cost; and (c) distribution of land parcels through auctions. The new edition of the Land Code will make a significant contribution to the development of the real estate market. The new Code, for example, provides that land parcels, as a rule, may be granted into ownership or leased. The main focus is on the lease (as land property rights are restricted by law). The Constitution states that "subsoil, woods, waters and the agricultural lands" can only be in State ownership.

The new Land Code stipulates that in order to obtain a lease, the lessee must pay for the right to conclude the lease contract. If no payment for land was initially made, a legal or natural entity wishing to sell a building constructed on this land should buy or rent the parcel and pay for this right. Nevertheless, there are some exceptions to this rule. For example, if the land is not leased for commercial use, the payment for the concluding the contract will not be charged. The right of permanent use, which is now very popular, becomes vested in State bodies, owners' associations, housing cooperatives and others if the land is not used for commercial purposes.

The rights granted to citizens and organizations by the Land Code of 1999 will, nevertheless, remain in force (e.g. the right of lifelong inherited possession) The new Code also recognizes the right of foreigners to own land, but only in the case of inheritance. Such land can be sold as private property only to citizens of Belarus or to local executive and administrative bodies.

Regarding the primary market, in 2006 257,239 immovable properties were registered, including 143,116 land parcels (56 per cent of the total), and registered in the State Register of Real Estate, Related Rights and Transactions. In the secondary market, in 2006 State registration organizations registered 562,626 cases of transfer of various rights on all kinds of real estate. The residential housing market in Minsk is planned, i.e. residential houses are being built in areas strictly specified by the city authorities according to a plan.

### ***Rent and real estate taxation***

The land tax is calculated by multiplying of the land plot area by the land tax rate. The rate of land tax is fixed and does not depend on the value of land plots. There are plans to set the land tax based on mass (cadastral) land valuation data. Land tax is paid by owners of land or bearers of rights to permanent and temporary use and the right of lifelong inherited possession. The land tax rate does not depend on the type of right. Lessees are exempt and pay only the rent. Since 2006, the rate of rent for the State lands has been estimated based on its cadastral value.

In the course of the privatization process, State-owned land plots have been transferred to citizens as private property since 11 May 2007. Transfers are based on their cadastral value (and not based on the previous preferential and standard cost). This rule was introduced by a Presidential Decree in 2007. The cadastral cost is also used in the case of selling lease rights. Land for construction in the city of Minsk, regional centres and the residential suburbs of these cities is leased after the payment for lease rights on the basis of cadastral cost (charges for land leasehold tenure depend on the term of land leasehold).

There are also document requirements for establishing a system of mortgage loans. For mortgage purposes, the use of cadastral cost consists in the definition of realty cost according to cadastral data. The cost of land subject to mortgage cannot be lower than its cadastral value.

If the owners are Belarusian citizens, no tax is imposed on the dwelling. Legal entities pay taxes for realty according to the cost of real estate, which is specified in financial documents.

### ***Mortgage***

The Real Estate Register of Belarus reported that 3,4624 mortgages were registered in 2006, including 319 (0.9 per cent) mortgages of land parcels, 8,004 (23.4 per cent) permanent structures, 26,135 (75.3 per cent) isolated spaces and 166 (0.4 per cent) incomplete constructions. The majority of mortgages were registered in Minsk (10.7 per cent of the country total) and the regional centres (9.1 per cent in Brest and 2.4 per cent in Vitebsk). In comparison, the number of registered mortgages in 2004 came to 12,865, and the number in 2005 to 9,151.

Most housing credit is in the form of soft loans, which are granted by Belarusbank. To get a soft loan, citizens should be included in the list of persons requesting financial assistance to improve their living conditions. Regional executive committees and other departments approve these lists of persons and their priority. The maximum repayment term for soft loans is 20 years in urban settlements, and 40 years for large families and in rural settlements. The annual interest rate ranges from 3 to 5 per cent.

The premises already constructed and in the process of construction are both subject to mortgage. The building is mortgaged without the land on which it is built. The mortgage right is transferred to a mortgagee from the moment of concluding the credit contract, but not from the moment of the State registration. The transfer of mortgaged premises is forbidden until full repayment of the credit. As of 6 January 2007, 191,000 persons had received soft loans, totalling 2.833 billion roubles.

### **B. Spatial planning**

Spatial planning in Belarus falls into the following functional categories: (a) planning of socio-economic development; (b) planning of land-use; (c) development of settlements and territories, planning of industrial activities; (d) transportation and engineering and technical infrastructure; (e) planning of social and economic development; and (f) planning of the national environmental network. One of the challenges is to reconcile agricultural and industrial activities with environmental sustainability considerations.

The State Scheme of Integrated Spatial Organization of the Republic of Belarus (SSISO)

provides the strategy for the sustainable urban development in the country. It was developed in 1999 and approved by the Council of Ministers in 2000.<sup>18</sup> In 2007, a Presidential Decree approved an updated version of SSISO developed by the Institute of Regional and Urban Planning (IRUP) at the request of the Ministry of Architecture and Construction. This document can be seen as a master plan for the whole country.

SSISO includes proposals for the interrelated development of the country's environmental network, its national and major regional transportation routes and the functional and planning zoning of its territories. SSISO also contains proposals for improving the living environment and outlines the following solutions to ensure sustainable and competitive development of the National Settlement System:

- Classification of urban settlements by their category, role in the settlement system, functional purpose and size
- Classification of rural settlements
- Strategic directions for the development of urban settlements with due consideration of local specificities
- General areas of improvement for the system of rural settlement with the development of *agrorodki*
- A list of urban and rural settlements the administrative status of which should be changed

The key proposals contained in SSISO and relating to the development of the living environment pertain to: (a) development of the housing sector and construction industry; (b) provision of social and transportation services; (c) the country's energy supply; (d) decontamination and use of domestic waste; (e) provision of telecommunications media; and (f) prevention of emergency situations. These proposals are coordinated with policies and action plans of the relevant ministries and committees.

According to SSISO, the main objectives for housing sector development are increasing the

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<sup>18</sup> Belarus 2015: Summary of National Plan of Spatial Development, Ministry of Architecture and Construction for Belarus.

housing stock, improving its quality and optimizing its location in urban and rural settlements by means of new construction and reconstruction.

SSISO mainly reflects a national perspective for long-term spatial development of Belarus, even though many of its initiatives are implemented at the local level. Although few policy-based decisions are made at this level, local executive committees facilitate the collection of data for analysis, evaluation and recommendations by national-level representatives.

### ***Legislative basis and recent developments in urban planning***

As stated above, Belarus established a Land Code that differed from the previous one developed under the Soviet Union. It was approved on 4 January 1999, and has resulted in policies specifically addressing the needs of Belarus.

The Land Code aims at creating conditions for the rational use and protection of land, the preservation of its fertility and its environmental sustainability<sup>19</sup>. The Code was used as the central legal document for the strategic development of agricultural, industrial, residential, recreational lands as well as for creating suitable infrastructure.

Requirements are further specified in the Law “On Architectural, Urban Planning and Building Activity in the Republic of Belarus” (2004). This Law sets forth requirements in the spheres of: (a) environmental protection; (b) preservation of immovable property of historic and cultural value; (c) creation and development of engineering systems, transportation infrastructure and territorial improvement; and (d) special adaptations for physically handicapped persons (including the disabled and persons with limited walking abilities) and other requirements. The Law prescribes the scope of competence of government bodies at all levels. It also determines the procedure for approving urban development projects. In addition, measures are spelled out that strengthen the authority of territorial architectural and construction bodies, the obligation of public discussion of urban development projects and

issues pertaining to the improvement of human settlements as well as residential and other construction.

In addition, the Building Normatives Act entitled “On the Order of Development, Coordination and Contents of Spatial and Urban Planning Documents” establishes the rules under which ministries and committees develop general terms and procedures for the development and approval of planning strategies at the national, regional and local levels. This Act applies primarily to the work of the Ministry of Architecture and Construction and design organizations.<sup>20</sup>

Currently, there are a number of other technical regulatory legal acts being developed that aimed at improving activities in the sphere of spatial planning.

In addition, a Presidential Decree of 7 June 2007 adopted the State Comprehensive Programme of Development of Regions, Small and Medium Towns for 2007–2010. A concept for regional development in Belarus up to 2015 is also being developed.

The State Programme on Village Recovery and Development for 2005–2010 is a national initiative to reinvigorate rural economies and to solve social problems in rural areas.<sup>21</sup> By proposing viable income generation possibilities in rural settings such as farms or small towns, an attempt is being made to reduce urban migration to Minsk and other large cities.

At present, local communities do not actively participate in national-level spatial development initiatives. Spatial planning is driven by a national agenda as opposed to responding to local demands.

### ***Key spatial planning elements***

In principle, SSISO is an inclusive document that treats all regions of Belarus with

<sup>19</sup> [http://www.belarus.net/softinfo/catal\\_la/100138.htm](http://www.belarus.net/softinfo/catal_la/100138.htm).

<sup>20</sup> <http://www.vasab.leontief.net/countries/belarus1.htm>.

<sup>21</sup> [http://www.mintorg.gov.by/index.php?option=com\\_content&task=view&id=287](http://www.mintorg.gov.by/index.php?option=com_content&task=view&id=287).

equal consideration. The key issues incorporated into SSISO are:

**Transition to sustainable development principles.** The document considers self-sustaining economic strategies for industrial, agricultural and urban development. The ability of administrative and geographic regions to operate with independent budgets and/or limited national financial support is a key challenge.<sup>22</sup>

**Economic reforms supporting effective economic policies.** To effectively manage trade relations on global markets, planning policy should facilitate economic policies that engage international trade partners, mostly focusing upon the Russian Federation and the EU countries.<sup>23</sup>

**Strengthening local governance.** To encourage semi-independent operations within oblasts and administrative subregions, empowering local level authorities is a high priority.<sup>24</sup> Promoting responsible local-level financial management and increasing the role citizens play in decision-making are the two main anticipated outcomes.

While the SSISO has uniform policies that impact national housing policy, it addresses priorities for development in the following three areas.

#### ***Urbanization axis along trade and transport routes within the country***

Belarus is located on a key axis for land transport of industrial and commercial goods circulating between Western Europe and the Russian Federation on the one hand and Ukraine and port locations on the Baltic Sea on the other. As part of the Helsinki Corridor transport system, the Belarusian component of the axis E2 contributes to the larger transport routes for goods. The Government therefore considers this to be a key strategic resource (especially for the country's services and manufacturing sectors).

Through consultation with the Council of Ministers and the Presidential administration, the

Ministry of Architecture and Construction has proposed developing industry adjacent to the axis as a means to minimize regional transport. By

developing shipping nodes located along this axis, local manufacturing and production capabilities will lead to increased efficiency, decreased costs and reduced environmental burden on local road systems as well as on recreational and agricultural reserve areas.

The development of industrial zones within a 50-km radius of the main transport route will stimulate the growth of accessible and affordable housing. This is being funded by oblast budgets and also receives only a small amount of funding from the central government. While much of the route is seeing nominal development, the added housing demands will spur the development of associated services, e.g. schools, commerce and transport infrastructure.

Although estimates of the number of dwelling units are not available, the planned expanded transport axis is expected to strengthen local economies and concentrate resources in areas that will help facilitate international trade between Belarus and neighbouring countries in addition to contributing to the pan-European transport network.<sup>25</sup>

#### ***Urban agglomeration of Minsk***

The population of Minsk continues to grow due to rural-urban migration. Migrants from rural areas move to Minsk in search of jobs. This migration is driving up the rate of urbanization, which now totals 73.4 per cent in the country<sup>26</sup> and is resulting in increased density and creating a strain on the existing housing stock. Expansion of the city's perimeters is making it difficult to maintain preferred density levels, to regulate traffic and pollution and to intensify industrial growth. The rezoning of the city's outer areas is reducing the risk of unplanned or poorly planned rural development on the capital's edges. Efforts to control the situation should result in a more distinct urban-to-rural transition, thereby preserving the rural qualities outside of city boundaries. However, neighbouring cities such as Borisov and Molodechno are increasingly becoming part of the

<sup>22</sup> Belarus 2015: A Summary of the National Plan for Spatial Development, p. 3.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid., p.6.

suburban sprawl of Minsk, and are losing their identities in the process.

A negotiation of administrative boundaries has occurred between the City of Minsk Executive Committee and their counterparts in the Minsk Oblast Committee. The result was the recognition of the right by the city of Minsk to develop property for housing purposes. Increased multi-unit housing demands on the expanded Minsk area are foreseen in tandem with the development of localized industrial zones in this area. The rationale for rezoning perimeter areas of Minsk is to reduce the effects of uncontrolled expansion surrounding peri-urban areas by localizing production, limiting commuting and improving the quality of life for workers and residents in these newly defined urban areas.<sup>27</sup> The planned

expansion of the urban perimeter is depicted in figure VIII.

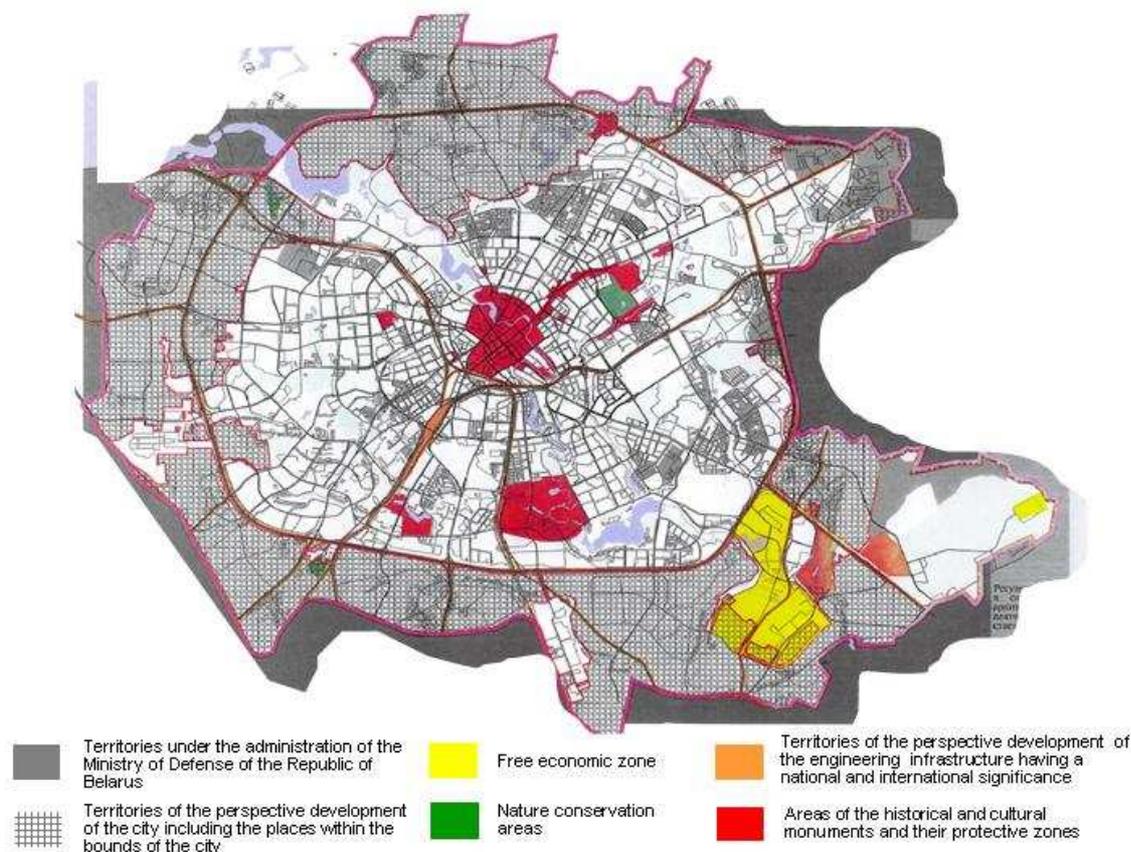
### *Areas affected by Chernobyl*

Although the effects of the Chernobyl disaster have yet to be fully seen, SSISO is taking steps to regenerate areas affected by the 1986 nuclear accident (referred to as “special status areas”). The population of the affected areas where the density of contamination exceeded 40 Ci/km<sup>2</sup> was relocated immediately following the event (a total of 138,000 people).

In accordance with existing legislation, people living in territories where the density of contamination exceeded 15 Ci/km<sup>2</sup> were granted the opportunity to relocate for free to housing provided by the State. Safe living conditions were also created in the areas where the density of contamination was less than 15 Ci/km<sup>2</sup>.

<sup>27</sup> Ibid., p. 3.

**Figure VIII. Scheme of zones of the special governmental regulation of the city of Minsk**



Source: Minsk Urban Authority.

According to SSISO, objectives for development of special status areas are: (a) further overcoming of the consequences of the Chernobyl disaster; (b) socio-economic rehabilitation of contaminated territories; and (c) increasing the well-being of the people who live on these territories. However, agreement on the actual urban development plans of these territories has yet to be reached, as local citizens as well as local and international environmental and public health agencies have differing opinions on these area's current suitability for living.

### **C. Rural development**

Developing collective villages, especially as an economic aid to agricultural production, is a priority for Belarus. To reduce density in cities while providing income-generating opportunities in rural and lower-population-density environments, the Government has proposed two strategies. The first is the State Programme of Village Recovery and Development, which proposes the use of *agrorodki*. The second is the Small and Medium Towns Initiative, which addresses the need for a strong network of small- and medium-sized towns to act as hubs for administrative, institutional and cultural activities.

The State Programme of Village Recovery and Development aims to redevelop rural-based agricultural business ("agri-business") by means of forming new types of rural settlements (i.e. the *agrorodki*) that will have well-developed planning and transportation as well as social infrastructure. The Ministry of Architecture and Construction and the Ministry of Housing and Communal Services are involved in the strategies and implement the projects.

In addition to stimulating the rural economy, *agrorodki* are expected to encourage local residents to stay there as well as to provide incentives for urban dwellers to relocate to rural locations. One aim is to reduce the administrative and infrastructural burden on small- and medium-sized towns by redistributing resources to these new administrative regions. This will enable them to operate with a greater degree of independence. Situated to provide essential services for families living within a 15-km radius, *agrorodki* are small, municipally based administrative regions composed of farms of various sizes. *Agrorodki* will follow general development guidelines set at both the national and regional levels, but will implement the principles selectively at the local

level. It is estimated that Belarus will have as many as 1,481 *agrorodki* by 2010.

The ultimate goal is to develop sustainable local economies that use their own revenues and tax bases to pay for the majority of infrastructural maintenance as well as one-time costs such as establishing transport networks, sanitation and utilities services. Provision of such housing is an incentive for families to either remain in or relocate to *agrorodki* in search of, among other things, employment, lower monthly expenses and reduced exposure to noise and pollution.

The Ministry of Housing and Communal Services of the Republic of Belarus confers with local government representatives on the numbers and condition of existing rural housing stock. The Ministry of Housing and Communal Services has planned that most housing requirements for the initiative will be met by renovating existing housing stock in these rural areas. The quality of rural dwellings is generally adequate, whether for immediate use or for future renovation and reuse. Where housing shortages exist, representatives from local administrative regions meet with oblast representatives of the Ministry of Architecture and Construction and the Committee on State Property to secure the financial backing to meet these housing needs.

Resolutions of the Council of Ministers of the Republic of Belarus annually approve activities aimed at the implementation of Presidential Decree No. 150 of 25 March 2005 "On State Programme of Village Recovery and Development for 2005–2010". In accordance with Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 1838/18 "On Measures of Implementation of Objectives for Housing Construction for 2008" of 12 December 2007, it is envisaged that 7,580 residential houses (flats) will be made available in 2008 by agricultural organizations.

In addition, every year regional executive committees confer with the Ministry of Agriculture and Food Supplies and the Ministry of Architecture and Construction to approve schedules for construction, reconstruction and financing of residential housing by agricultural and other organizations.

The housing construction costs for *agrorodki* are covered primarily by loans

extended by Belagroprombank as well as by the agricultural organizations' own funds.

The Presidential Decree No. 265 “On the State Integrated Programme for the Development of Regions, Small and Medium Towns in 2007–2010” recommends the upgrading and development of housing stock and related infrastructure for cities of up to 50,000 citizens.<sup>28</sup> Similar to the proposal to improve the viability of *agrorodki* nationwide, this initiative recommends the development of multi- and single-family housing units as a means to attract people to less densely populated areas, thereby reducing pressure on the large urban centres. These small- and medium-sized towns play a key role in supporting surrounding administrative regions because they contain much of the infrastructure needed to support rural development that falls within the prescribed 15-km radius.

Both of the above-mentioned initiatives to entice residents to either remain in or relocate to small- and medium-sized towns, together with the promotion of *agrorodki*, are at the same time strategies to redistribute the regional tax responsibilities more evenly throughout Belarus. Increasing migration to large cities has placed a burden on the local tax systems that support local infrastructure and maintenance costs, as the resources available cannot meet current or projected demands. The government strategy to develop in less populated areas while providing essential services will distribute cost burdens over a greater number of populated areas established as administrative regions.

### ***Roles and responsibilities of local governments***

As noted in chapter I, the effective division of responsibilities between central and local governments provides a clear legal and administrative basis for spatial planning. While all housing initiatives originate at the level of the central government, they are intended to affect local populations.

As noted in SSISO, national-level housing policy that empowers local governments and individuals also encourages active participation in the decision-making process. Although they are not democratically elected, the local-level representatives who make up rural councils typically represent the common interests of individuals from their regions.

In response to SSISO, each of the 118 rayons requests a regional plan. As the most basic element of local-level planning, the rayons prioritize needs for their prescribed areas. The rayon must consider the needs of the local rural councils, largely made up of representatives from *agrorodki*. The rayon is responsible for making individual requests as well as for covering the costs of the development of regional plans. The requests are submitted to the oblast executive committee and are then forwarded to the Ministry of Architecture and Construction for subsequent reference during the drawing up of a time schedule for the development of urban development projects. Local government bodies contract IRUP to develop and prioritize urban projects. When developing a regional plan, IRUP consults with representatives of the specific rayon to gain an understanding of how local-level requirements for housing compare with the national plan for industrial and economic development in the area.

Small cities that fall under the jurisdiction of a rayon are considered as part of the rayon itself, while cities of greater than 100,000 people are required to make up detailed plans indicating existing, new and proposed areas for development. Small cities are also expected to pay the costs of developing such plans by using civic funds.

The creation of incentives to stimulate migration from densely populated areas of Belarus such as Minsk and other cities poses many challenges, especially those relating to standardizing services to citizens. The improvement of the road transportation network is a national priority in terms of economic growth, but it also directly and qualitatively impacts the siting of residential developments. Proximity to recreational and service zones as well as access to communal services such as hospitals, schools and water supply is also important. Regional governments are responsible for developing and maintaining systems that support national initiatives such as the development of the transportation network, but location-specific consequences are not typically considered. This

<sup>28</sup> In accordance with the Integrated Programme of Development of Regions, Small and Medium Towns for 2007–2010, small and medium towns are towns whose populations do not exceed 50,000.

situation often results in financial and logistical difficulties for the oblasts, which are trying to conform to national obligations. For example, according to SSISO, all citizens should have less than one-hour commute by automobile or public transit when travelling to access essential services or places of employment.<sup>29</sup> Meeting this criterion depends on regional and local abilities to negotiate and develop housing resources that help achieve this living standard.

#### **D. Approaches to energy and services management**

In response to the gas supply problems between Belarus and the Russian Federation, there is a move to develop infrastructure for alternative fuel sources that would allow a greater degree of autonomy from neighbouring countries. Between 2006 and 2010, the implementation of energy-saving measures is expected to conserve 884,500 tons worth of standard fuel for a savings of 1,545,800 roubles. The central government's ambitious housing plans are forcing the Ministry of Architecture and Construction to examine ways of using non-traditional and renewable types of energy, notably wind and water energy sources as well as organic waste and biomass recycling. The processing of waste timber products into combustible fuel products is being marketed in an effort to transfer reliance for home heating from petroleum-based products to more sustainable and affordable resources. The development of metered utilities throughout the nation is a priority, with the goal of full implementation by 2010. The use of alternative energies to heat and power public buildings such as hospitals and schools is also being considered, and will result in reduced tax obligations rather than direct financial gains by affected populations.

As noted in chapter II, this issue relates to large-scale strategies of construction of new homes. In 1996, the IRUP Habitat Research Centre received funding from UN-Habitat to research the viability of using sustainable building techniques as a way to decrease dependence on traditional sources of heating and insulation as well as find new cost-effective

construction techniques.<sup>30</sup> While several prototypes have been built and successfully tested, their application has thus far been limited to individual buildings and has not been pursued on any large scale.<sup>31</sup>

#### **E. Transparency in the process of urban and spatial planning:**

Although by law IRUP is not the sole provider of planning services to all of Belarus, the State is de facto their only client. IRUP provides all master plans, regional plans and detailed plans to the six oblasts. The sole exception is Minsk, where Minskgrado is another State-dedicated firm. These organizations are responsible for developing the urban and spatial plans for Minsk and work in collaboration with the Minsk City Executive Committee. While in principle the Ministry of Architecture and Construction can issue licenses to private urban planning firms who would be permitted to provide services to regional clients, no other service providers currently work for the regional or local governments. The result is that IRUP and Minskgrado are the only two providers of research and planning proposals.

The Law "On Privatization of Housing Stock" (1992) has enabled the development and subsequent ownership of building stock by individuals through the mechanism of State-regulated real estate transactions. Private developers must adhere to the guidelines for urban planning set by the Government; these assure equal treatment of clients, whether State-sponsored or individually sponsored. State and private developers are subject to the same zoning requirements. Government controls on new development ensure that private developers of residential buildings cannot negotiate modifications to the existing Land Code. The Land Code clearly defines the types of development for urbanized and non-urbanized areas. SSISO defines "natural" regions as biologically and geographically diverse, and therefore subject to controls that protect opportunities for recreation and tourism development as well as for sustainable

<sup>29</sup> Ibid., p. 12.

<sup>30</sup> [http://www.bestpractices.at/main.php?page=programm/e/europe/best\\_practices/minsk\\_belarus&lang=en](http://www.bestpractices.at/main.php?page=programm/e/europe/best_practices/minsk_belarus&lang=en) (last accessed, 12 December 2008).

<sup>31</sup> <http://www.ebrd.com/projects/psd/psd1997/.htm> last accessed, 12 December 2008).

forestry practices.<sup>32</sup> Housing developments bordering on these areas are reportedly subject to strict control of wastewater and solid waste management.

As a result, housing development is strictly regulated. As part of a national directive to facilitate ownership of dwellings for a broad cross-section of citizens, the State closely monitors the degree and effectiveness of such projects. Administered by the State in compliance with the Law “On Architectural, Urban Planning and Building Activity in the Republic of Belarus” (2005), all development applications and permits are issued by the Ministry of Architecture and Construction<sup>33</sup> – the same body that generates urban and regional plans for the nation. Private development companies must pay installation costs for infrastructure so that residents have access to water, gas, electricity and fibre-optic connections.

Due to this regulatory context, illegal construction of residential dwellings is kept to a minimum. The degree of State control over land use administration has yielded a fairly well regulated system of building permit registration. Rural summer homes (*dachas*) are typically built as secondary seasonal residences for urban dwellers, but there is now a movement towards full-time occupation which is being facilitated by

improved services and transit infrastructure. Rural residents can now commute to urban centres on a daily basis. The expansion of urban boundaries is seen as an effort to gain control over semi-urban areas that are being used more frequently than originally planned and therefore place more strain on the infrastructure. Regional executive committees have decided to improve services and transfer the costs to property owners in the effort to regulate expansion.

Unapproved housing developments in rural areas are subject to fines. It has been reported that violators must pay a modest penalty, yet later become eligible to apply for a variance in zoning. The risk exists that developers may simply absorb the payment of fines as a project cost rather than treat it as a deterrent to irresponsible or illegal development. Although no figures are available to document the frequency of this occurrence, it appears as if the appeal process is not well defined and thus leaves room for confusion. The above applies to rural development within legally defined land plots. Urban construction that lacks appropriate permits is subject to similar review, but since the code requirements for densely populated areas are better defined, the frequency of illegal construction is much lower and also more thoroughly monitored.

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<sup>32</sup> Belarus 2015: A Summary of the National Plan for Spatial Development, p. 18.

<sup>33</sup> According to Article 17 of this Law, however, local executive and administrative bodies responsible for architectural, urban planning and building activities, take decisions on: (a) preliminary discussions about construction site locations; (b) issuance of permits for design and exploration works; and (c) allocations of land plots and the issuance of building permits.

## **Chapter 1**

1. National housing policies should promote decentralization and greater roles for local authorities and the private sector.

It is recognized that housing policies in Belarus ensure comparatively good living conditions for the population and are comprehensively formulated, including with respect to new construction, housing maintenance and subsidized loans. In the future, a more decentralized approach should be developed and gradually implemented, with increased roles for local authorities and the private sector in constructing, maintaining and financing housing.

2. The division of responsibilities with respect to housing policies at the national level needs clearer definition and strengthened interministerial cooperation.

In general, the institutional framework of Belarus is well organized. However, in spite of having an established hierarchy of responsibility, the country suffers from a lack of clarity regarding those responsibilities. The Government may wish to consider ways to accelerate the decision-making process and improve coordination on housing issues, including by reducing the number of Government bodies involved.

3. Responsibilities at the local level and the participation of civil society should be strengthened.

Oblasts and rayons should have greater and more independent scope to formulate and implement housing policies adapted to local needs, rather than mainly executing national policies. The current “top-down” approach serves as a disincentive for the municipal-level actors whom these decisions most frequently affect. Although one of the goals of SSISO is to improve the ability of lower-level actors to influence decision-making, it does not appear to be making significant progress yet. Opportunities to influence local decisions through local management would also enhance civic participation.

4. The role of non-profit, non-governmental, international and private actors should be expanded.

NGOs and the private sector do not play a sufficient role in policymaking and policy delivery. Considerable restrictions prevent these actors from function to their full capabilities. Greater involvement of the international community would encourage international investors to make financial commitments to the country. Local investors would also be more motivated if the Government were perceived as more of a facilitator than a regulator. Trust in the system, which is sometimes perceived as rather bureaucratic, would increase. Establishing guidelines for NGO participation would help ensure a fair and unbiased approach to regulation.

## **Chapter 2**

5. Involvement of private sector in housing and construction should be promoted, and its development should be supported.

The State is the main actor in the housing and construction sector, and construction activities are implemented by the State through State-owned construction companies. The private sector is seriously underdeveloped and underrepresented. It is also difficult for private sector companies to participate in State orders and tenders, as the chief competitors are State-owned companies. This situation creates entry barriers for private sector activity, placing constraints on the sector’s competitiveness and its economic incentives. The construction industry should be decentralized and opened up to private participation on a competitive basis. To increase the private sector’s competitiveness, more flexible regulations in the field are needed. There should be no minimum capital requirements or requirement for regular license renewal for construction firms. As well, competition between public and private companies for subsidies during public land sales should be fair. Reducing the bureaucratic procedures (especially abolishing the duty to pay for different options and sell housing for regulated prices) required to establish private businesses (including for foreign companies) and to undertake housing development projects would also help.

Public companies substitute for the private sector in many fields. Often, substantial barriers to further development of private businesses prevail. To increase competitiveness, the large regional maintenance companies could, for example, be transformed into a series of competing private maintenance companies, and their accumulated funds could be distributed as the initial payments (public grants) to the repair funds of newly established homeowners' associations.

6. Access to affordable housing should be better targeted and options should be increased. It is vital to reduce the number of needy households waiting for soft loans – sometimes up to 20 years in developed urban areas. State policy should cater to really very needy citizens, and the categories described as needy should target the low-income households living in the worst conditions. Those falling outside the very poor could be granted other support programmes that would allow them to improve their living conditions with different and diversified financial instruments. Any change, however, should be gradual and conditional regarding the development of an alternative and affordable mortgage market and the establishment of strong regulatory frameworks. Also, a strengthened social housing sector might be considered.

7. The creation of homeowners' associations should become mandatory. All apartment houses with privatized dwellings should be transformed into homeowners' associations and potential public subsidies to homeowners should have specific targets (e.g. improving insulation) and should be allocated only when the homeowners themselves contribute regularly to repairs, which should be set at a minimum amount.

8. Energy efficiency in the housing sector should continue to be pursued and improved. Due to the availability of cheap oil and gas, very little emphasis has been put on energy efficiency in the housing sector to date. The Programme on Energy Asset Modernization, Energy Efficiency and Use of Local Fuels for 2006–2010, adopted by a Presidential Edict in 2005, aims to effectively use energy resources in all fields of industry, including the construction sector. To successfully implement this programme, energy efficiency in the housing sector needs to be strengthened. Special attention should be given houses built during the Soviet era, since these have high rates of energy consumption.

The use of innovative construction materials, e.g. eco-construction, should be promoted, as should new innovations and technologies. An awareness-raising campaign could inform the population about the important benefits of energy-efficient construction.

9. State subsidies in the utilities sector need to be better targeted, notably to very needy population groups. Medium- and high-income households should not receive subsidies. This would allow the State to avoid considerable expenditures on utilities and at the same time would help concentrate the resources used for utilities' maintenance and rehabilitation.

### Chapter 3

10. The system of soft loans needs reform.

There is a need to reduce the long waiting period for low-interest credit and access to new not-for-profit owner-occupied housing. Delays (both for interest subsidy and cheap new housing) are caused by the lack of clarity regarding subsidy eligibility and the lack of transparency regarding subsidy allocations.

11. Eligibility criteria should be clearly defined and separated.

Clear separation between eligibility for new "cheap" owner-occupied housing and for interest subsidies (soft loans) could help substantially to decrease the waiting period for receiving these soft loans. It would also help improve freedom of choice. Housing policymakers should more clearly define the eligibility criteria for these different types of subsidies.

12. Interest subsidies should be available immediately.

All eligible households should be able to receive soft loans immediately. These could be distributed either as smaller loans, though available to anyone wishing to buy new or existing housing now, or at the full loan value, but only to priority population groups (e.g. low-income households, young couples, families with children) who want to acquire housing immediately.

13. The development of a competitive and diversified banking sector should be supported.

The liquidity of both State and private banks could be improved by opening up the banking sector to foreign capital and money channels as well as mortgage banking (mortgage bonds), so long as strong regulatory institutions were put in place after careful analysis of Belarusian households' savings behaviours and public spending. A system of housing savings might also be created.

14. The mortgage law should be fully implemented.

The already approved legislative framework for the mortgage market is essential for moving from housing loans (and various existing lease schemes) to classic mortgage loans and for decreasing risk for mortgage lenders. Efforts to further cut inflation are a key to bringing down future public spending on interest subsidies.

15. A means-tested housing allowance should be considered.

Taking into account the relatively low average share of total household expenditures for housing and the already large economic subsidies stemming from "giveaway" privatization measures in the past, the subsidy covering the difference between tariffs and housing costs should be gradually withdrawn and a new, means-tested housing allowance introduced instead. Such a housing allowance should be focused mainly on households in need, i.e. those spending too high a share of income on housing, and should be limited by norms on costs and size of housing. Assistance with implementation of this recommendation might be provided by Presidential Decree No. 638 of 14 December 2007 "On Some Measures of Providing State Support to the Population".

## Chapter 4

### *Land administration*

16. Private land ownership should be strengthened. (The right to private ownership of land is set forth in Article 11 of the current Land Code.)

In order to use land resources more efficiently and to attract more private capital to develop agriculture and industry, it is essential to make the land market more accessible by increasing the transfer of land parcels to the private sector.

17. Land-related revenues should be used for infrastructure and social purposes.

Transfer of land parcels to the private sector would generate income that could be used to help solve social problems – in particular to develop infrastructure and construct social housing.

18. Restrictions on foreign land ownership should be reduced. Despite the Presidential Decree No. 667, which allows foreign legal entities to lease land plots for up to 99 years, legal barriers to the sale of land to foreigners hinder foreign investment. Foreigners should be entitled to buy private non-agricultural land; this would benefit the country's economy.

19. Real property formation procedures should be simplified. Registration of land parcels and constructions should be accelerated to better protect real property rights and promote an efficient taxation system.

20. E-land administration should be further facilitated. Modern information technologies for State authorities would support decision-making related to real property. To implement the "one-stop-shop" principle, citizens should be offered more e-services in real property administration. E-land administration is an important element in building a national e-government.

21. The land tax should be based on land cadastral (market) value. This would promote social fairness and make calculating local budgets easier.

22. A more flexible mortgage system is needed to make the land market more active. This mortgage system should offer more opportunities to both natural and legal persons and entities to obtain credit.

#### *Spatial planning*

23. Local communities should be empowered to formulate and implement their local planning needs. While representatives from rural councils submit summaries of requirements for administrative subregions, national policy overrules local requirements in practice. Empowering local administrators to decide on local plans and their implementation would improve the quality and acceptance of local planning.

24. An assessment of efforts to strengthen small- and medium-sized towns should be planned and carried out. The expansion of these towns (and also the *agrorodki*) seeks to rebalance urban and rural populations and to redistribute the tax base. However, it should be assessed in due time whether this policy is effectively addressing rural-urban migration in the county, taking into account the fact that the urbanization rate in Belarus is now higher than ever before.

25. The impact of the development of housing along the E30 transportation corridor should be further evaluated. This development may result in transitional housing, since the economy in these areas is not fully developed.

Typically, urban development along major transit routes brings a host of negative associated impacts, e.g. decreased security and community safety, increased pollution and transient economies.

26. More professionals working in urban planning should be involved in planning processes, which should be open to the input of the private sector. The Government retains a de facto State monopoly on planning, with IRUP and Minskgrad being the only two urban planning entities. The Government should consider taking more advantage of urban planners, including those working in private practice. If local urban planning experts were given the autonomy to design and deliver strategies meeting general criteria, there would be greater diversity in urban and rural development as well as more effective planning overall.

27. The expansion of Minsk city should be closely monitored. Enlargement of the city area is both positive and negative: on the negative side, it enables urban sprawl by dedicating currently used land for housing and industrial development. Industrial zones and free economic zones may combine in undesirable ways in new housing developments. On the positive side, the Minsk City Executive Committee well realizes the advantages of a rational plan that accounts for and controls growth, thereby averting illegal and unplanned settlements. The *dacha* culture of peri-urban Minsk may suffer, but such a plan would regulate growth and density, provided that the State is willing to maintain oversight of these areas.

### **Key laws, codes, decrees and programmes**

Housing and land administration for the Republic of Belarus is regulated by a number of frequently cited national laws, legal acts, codes and presidential decrees. The most relevant and significantly cited are the following:

- Republic of Belarus National Law “On Ownership in the Republic of Belarus” (1990)
- Republic of Belarus National Law “On Payments for Land” (1991)
- Republic of Belarus National Law “On Local Government and Self-Government in the Republic of Belarus” (1991)
- Republic of Belarus National Law “On Privatization of Housing Stock in the Republic of Belarus” (1992)
- Republic of Belarus National Law “On the Council of Ministers of the Republic of Belarus” (1992)
- Republic of Belarus National Law “On Denationalization and Privatization of State-Owned Property in the Republic of Belarus” ( 1993)
- Republic of Belarus National Law “On Local Government and Self-Government in the Republic of Belarus” (1995)
- Republic of Belarus National Law “On the Administrative-Territorial Division and Procedures for Resolving Issues of the Administrative-Territorial Organization of the Republic of Belarus” (1998)
- Legal Act No. 226-Z, “Land Code of the Republic of Belarus” (1999)
- Housing Code of the Republic of Belarus (1999).
- Presidential Decree “On Granting Preferential Credits to Citizens for Construction (Reconstruction) or Acquisition of Dwelling Premises” (2000)
- Presidential Decree “On Endorsement of the Provision on the Procedure for Transfer of Land Parcel Ownership to Legal Entities (to Their Owners)” (2000)
- Republic of Belarus National Law “On Architectural, Urban Planning and Building Activity in the Republic of Belarus” (2004)
- Social Environment and Living Standards in the Republic of Belarus (2005)
- State Programme of Rural Revival and Development for 2005–2010
- Presidential Decree “On the Structure, Functions and Number of Staff at Local Executive and Administrative Bodies” (2006)
- Programme of Socio-Economic Development of the Republic of Belarus for 2006–2010
- Development Programme for the Housing and Utilities Sector of the Republic of Belarus for 2006–2010

- State Water Supply and Removal Programme for 2006–2010
- Comprehensive State Programme on Energy Asset Modernization, Energy Efficiency and Use of Local Fuels for 2006–2010
- Presidential Decree “On the State Integrated Programme for the Development of Regions, Small and Medium Towns in 2007–2010” (2007) (superseded on 1 January 2008 by Presidential Decree No. 667)
- Presidential Decree “On the Specificities of the Mortgaging of Privately Owned Land Plots to Banks for Obtaining Bank Loans” (2007)
- Presidential Decree “On Enhancing the Role of Bodies of Local Government and Self-Government in Addressing the Life-Sustaining Needs of the Population” (2007)
- Presidential Decree “On Some Measures to Make Unused State-Owned Property Available for Economic Transaction” (2007)
- Presidential Decree “On Expropriation and Allocation of Land Plots” (2007)
- National Spatial Development Plan (2007)
- Republic of Belarus National Law “On Mortgage” (2008)
- Presidential Decree “On Valuation Activities in the Republic of Belarus” (2008)
- Presidential Decree No. 185/2000
- Presidential Decree No. 291 of 3 July 2008 and Resolution of the Council of Ministers of Belarus No. 531 of 8 April 2008.

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- <http://www.ebrd.com/projects/psd/psd1997>
- <http://europeandcis.undp.org/poverty/show/D4A6AD9D-F203-1EE9-BB468E0B6B0F53AC>
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