

# Country Profiles on Housing and Land Management

Belarus



**UNECE**

# **Country Profiles** on Housing and Land Management

**Belarus**



**UNITED NATIONS**

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## FOREWORD

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The Country Profiles on Housing and Land Management (CPs) are intended to assist Governments to improve the performance of their housing, urban development and land management sectors and, at the same time, promote sustainable development. The profiles analyse trends and policy developments, and make an overall assessment of the political, economic and social framework of these sectors. This work was initiated by the United Nations Economic Commission for Europe (ECE) Committee on Housing and Land Management in the early 1990s, in response to requests from ECE member States.

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

This Country Profile, prepared at the request of the Government of the Republic of Belarus, is the twenty first in the series. The Country Profiles programme continues to emphasize in-depth analysis and policy recommendations, while focusing on specific challenges or achievements in housing, urban development and land administration that are particularly relevant to the profiled country. The Country Profile of the Republic of Belarus specifically focuses on the housing sector, particularly on housing provision and affordability, management and maintenance of housing stock, energy efficiency in housing, housing finance, smart sustainable cities, and the legal and institutional framework.

This Country Profile lays out a set of policy recommendations. Their timely and effective implementation is regarded as crucial to meeting the challenges which the Republic of Belarus currently faces. With the recent adoption of the New Urban Agenda, the global commitment to sustainable urban development has been reaffirmed. The policy recommendations of this Country Profile will serve to support the country in its commitment to implementing the New Urban Agenda and achieving the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, particularly SDG 11 on cities and communities.

I would like to thank the international and national experts who contributed to the preparation of this document, the Governments that provided funding for its development, and the UN partner organizations who were involved in the preparation of the study – UN-Habitat and the UN Development Programme (UNDP) in the Republic of Belarus. I invite all those with an interest in the housing sector of the Republic of Belarus to make full use of the information and recommendations contained in this report. It can serve as a framework for future action and help shape programmes at national and local levels.

Finally, I would like to stress the relevance of country profile reviews as unique instruments. They allow ECE countries to share experience in housing, urban development 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



**Olga ALGAYEROVA**

Under-Secretary-General of the United Nations  
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## PREFACE

This Country Profile on Housing and Land Management of Belarus was requested by the Government of the Republic of Belarus through its Ministry of Architecture and Construction. The Review began in December 2017 with the preparatory mission by the UNECE secretariat, during which the final structure of the Country Profile was agreed upon. A fact-finding mission by the international expert team was carried out in May-June 2018.

Previous studies in the 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, 2002), Armenia (ECE/HBP/132, 2004), the Russian Federation (ECE/HBP/131, 2004), Serbia and Montenegro (ECE/HBP/139, 2006), Georgia (ECE/HBP/143, 2007), Belarus (ECE/HBP/150, 2008), Kyrgyzstan (ECE/HBP/157, 2010), Azerbaijan (ECE/HBP/156, 2010), Tajikistan (ECE/HBP/163, 2011), Ukraine (ECE/HBP/176, 2013), the Republic of Moldova (ECE/HBP/181, 2015), Uzbekistan (ECE/HBP/185, 2015), Armenia (ECE/HBP/186, 2017), and the Republic of Kazakhstan (ECE/HBP/191, 2018).

Other ECE and UN-Habitat publications related to housing and urban development may also prove useful to Belarus and other countries in the ECE region: (a) *HABITAT III Regional Report on Housing and urban Development in the ECE Region* (2016); (b) the *International Guidelines on Urban and Territorial Planning* (2016); (c) *Social Housing in UNECE region: Models, trends, and challenges* (ECE/HBP/182, 2015); (d) *Good practices for Energy-Efficient Housing in the UNECE Region* (ECE/HBP/175, 2013); (e) *Climate Neutral Cities: How to make cities less energy and carbon intensive and more resilient to climatic challenges* (ECE/HBP/168, 2011); (f) *Green Homes: Towards energy efficient housing in the United Nations Economic Commission for Europe region* (ECE/HBP/159, 2009); (g) *Self-Made Cities: In search of sustainable solutions for informal settlements in the United Nations Economic Commission for Europe region* (ECE/HBP/155, 2009); (h) *Guidelines on social housing: principles and examples* (ECE/HBP/137, 2006); (k) *Housing finance systems for countries in transition: principles and examples* (ECE/HBP/138, 2005); (l) *Guidelines on condominium ownership of housing for countries in transition* (ECE/HBP/123, 2003).

In addition, the fundamental documents approved by UNECE member States could provide a framework for developing sustainable policies in housing, urban development and land administration and management.

These include the Geneva UN Charter on Sustainable Housing, the Geneva Ministerial Declaration on Sustainable Housing and Urban Development (2017) and the Strategy for Sustainable Housing and Land Management in the ECE region for the period 2014-2020. This Country Profile and other related publications are available on the UNECE website. (<http://www.unece.org/housing.html>)

## ACKNOWLEDGEMENTS

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## ABBREVIATIONS, ACRONYMS, SYMBOLS AND CURRENCY CONVERSION

### ABBREVIATIONS AND ACRONYMS

BelGIM	Belarusian State Institute of Metrology
Belgiprozem	Republican Unitary Enterprise “Design Institute Belgiprozem”
BelGISS	Belarus State Institute on Standardization and Certification
Belstat	National Statistical Committee of the Republic of Belarus
BSCA	Belarus State Centre for Accreditation
BYR	Belarusian rouble
CABs	Conformity Assessment Bodies
CIS	Commonwealth of Independent States
CORS	GPS Continuous Operating Reference System
DBI	debt burden indicator
EA	European co-operation for Accreditation
EAEC	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
ESRV	estimated standard risk value
EU	European Union
EUR	Euro
EurAsEC	Eurasian Economic Community
GDP	gross domestic product
GIS	geographic information system
GOST	gosudarstvenny standart (state standard)
GSKTO RB	State Scheme of the Integrated Territorial Organization of the Republic of Belarus
HUS	Informational Payment System for Housing and Utility Services
IRMM	Institute for Reference Materials and Measurements
IRUP	Institute of Regional and Urban Planning
JSC	Joint-stock company
ISO/IEC	International Organization for Standardization/International Electrotechnical Commission
LCD	Local Council of Deputies
LQR	loan collateral rate
NCA	National Cadaster Agency
NGO	non-governmental organization
NSDI	National Spatial Data Infrastructure
OJSC	Open joint-stock company

PPP	public-private partnership
R&D	research and development
RES	renewable energy sources
SDGs	Sustainable Development Goals
SLA	sustainable livelihood approach
ULS	ultimate-limit state
UNDP	United Nations Development Programme
UNDP GEF	UNDP Global Environment Finance
USD	United States dollar
USRIP	Unified State Register of Immovable Property, Rights Thereto and Transactions Therewith
WTO	World Trade Organization

## SYMBOLS

GCal	gigacalories
ha	hectare
km	kilometre
km <sup>2</sup>	square kilometre
kW	kilowatt
kWh	kilowatt-hour
kWth	kilowatt-thermal
m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metre
mm	millimetre
MW	megawatt
MWh	megawatt hour

## CURRENCY CONVERSION

Exchange rate (December 2017)

1 Belarusian Rouble (BYN) = 0.499 United States Dollar (USD)

1 USD = 2.005 BYR

1 Euro (EUR) = 2.38 BYR

*N.B.* For the period under review (2011-2017), all data in national currency are provided in BYR to ensure uniformity in the analyses. After the denomination in 2016, 1 BYN = 10,000.0 BYR. The weighted average exchange rates of BYR per 1 USD by year are as follows: 2011 – 5,606; 2012 – 8,370; 2013 – 8,971; 2014 – 10,260; 2015 – 16,254; 2016 – 19,998; 2017 – 19,333.<sup>1</sup>

<sup>1</sup> Available from <http://www.nbrb.by/statistics/ForexMarket/AvrExRate/>.

An aerial photograph of a city waterfront, likely in Tallinn, Estonia. The image shows a mix of modern and traditional architecture. In the foreground, there's a large, modern stadium with a white, curved roof and a dark, curved roof. The stadium is situated on a green peninsula with a paved walkway and some trees. To the left, a body of water (the harbor) is visible with a few boats. In the background, a dense urban area with various buildings is visible, including a prominent tall, modern skyscraper with a glass facade. The sky is clear and blue, suggesting a bright day. A green rectangular box with white text is overlaid on the image.

# EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

This summary provides an overview of the current housing, urban development and land management situation in Belarus, reflects on the progress made since the 2008 Country Profile, and makes selected policy recommendations.

### General situation and an overview of the housing sector

Urbanization rates in Belarus have been showing modest but steady increase since the 2008 Country Profile, rising from around 73 per cent of the population living in urban centres in 2008, to more than 78 per cent in 2018. This pattern of urbanization corresponds to regional and global trends of population concentration in large cities with more than 100 thousand people - currently, around 70 per cent of the Belarusian urban population lives in cities of this size. Government policy needs, therefore, to primarily focus on making housing affordable in large cities, including the capital city of Minsk.

Belarus recognizes the importance of the housing sector for citizen well-being, hence the commendable efforts to keep housing policy high on the government agenda. The state programme "Construction of Housing for 2016-2020", adopted in 2016, makes increased provision of affordable and high-quality housing the housing policy's primary goal. Central to this is state provision of preferential acquisition loans for newly-constructed housing to vulnerable populations, and allocation of land plots for individual housing construction. As a preliminary result of the programme's implementation, the number of households registered as needing improved housing conditions decreased 20 percent between 2010 and 2017. These households are defined as having less than 15 m<sup>2</sup> of living space, irrespective of family income.

Therefore, the current housing policies adequately target low-income households and have yielded results. However, the overall house price to income ratio increased from 10.8 in 2011 to 11.7 per cent in 2016 which, combined with the ongoing economic slowdown, has led the Government to tighten the eligibility criteria for state support for affordable housing provision. The Government should revise the current eligibility criteria for state support to ensure that the housing needs of vulnerable people are met.

The mass privatization of the housing stock has led to high home ownership in Belarus, and the current housing policy is predominantly oriented towards supporting this. Rental housing includes state and municipal housing stock, as well as residential premises that are privately owned, mainly by individuals, and are rented on market terms. State and

municipal properties are rented under commercial, or social housing contracts. The proportion of rental housing is still low - only 5.8 per cent in 2017. Currently, state and municipal rental housing do not satisfy the need for rental housing, which is only partially met by private housing stock owned by citizens. Since the lack of rental housing impedes labour mobility and decreases access to housing for the low-income population, the Government is recommended to develop additional affordable housing options, including rental housing. This could help increase access to affordable housing to low-income and vulnerable groups of population.

### Housing construction, management of multi-apartment buildings and utilities

Due to economic slowdown, rates of housing construction have declined since 2014. In 2017, 3.79 million m<sup>2</sup> of housing was built - the lowest for 2011-2017. The state remains the key agent in housing construction, with state-owned companies taking the lead in implementing government-directed housing construction solutions. State developers also have advantages over private developers in provision of land for construction. Since 2013, only state developers could build housing for citizens needing improved housing who have received preferential loans for housing construction.

The 2008 Country Profile strongly recommended opening the construction industry to competition, including private developers. While some progress has been made, significant challenges remain, as state companies continue to enjoy considerable advantages over the private sector. The Government should therefore develop measures to attract non-state developers to participate in construction of social and affordable housing by forming public-private partnerships. The private sector and not-for-profit organizations such as housing cooperatives should be particularly encouraged.

The management of multi-apartment buildings is currently undertaken by several agents. These include individual apartment owners if the building has less than 11 apartments, owners' associations or organizations of developers such as housing and construction consumer cooperatives, and authorized representatives of state organizations responsible for management of services and maintenance of apartment buildings. Private organizations do not have the right to manage multi-apartment buildings. Associations of owners and housing construction cooperatives can maintain apartment buildings themselves, or use state-owned service organizations. Currently, more than 52 per cent of owners' associations and housing construction cooperatives have contracts with state housing and communal services organizations, and 48 per cent maintain their apartment

buildings independently. Neither of these groups has the right to conduct capital renovations - homeowners are not involved in decision-making or the process of capital renovations.

The 2008 Country Profile of Belarus advocated strengthening the participation of all stakeholders in the housing sector, including a more proactive private sector in housing management as well as decentralization of decision-making and greater autonomy for local authorities and stakeholders. It was further stressed that overlaps of responsibilities at the highest levels and limited decision-making powers of local structures are detrimental to housing and utility sector efficiency. This recommendation was partially implemented: the roles of organizations in management of multiapartment housing were clarified and there are no overlaps. This Country Profile reiterates the recommendation to promote involvement of homeowners and private sector organisations in housing management.

The Government should also allow private sector involvement in capital repairs. While most housing stock in Belarus has been built relatively recently and is in sound condition, the need for capital repairs of multi-unit residential buildings is nonetheless considerable. According to the data provided by the state-owned association "Minsk City Housing Services" of the Minsk City Executive Committee, 2,648 residential buildings (36.09 per cent of multi-unit buildings) with a total floor area of 15.9 million square metres (39.8 per cent of the total floor area of multi-unit housing stock) and with a service life from 25 to 45 years, need capital repairs. However, the current state-centralized system which dominates the capital repairs of multiapartment buildings, is not sufficient to meet the existing need for capital repairs. The Government should therefore develop measures for transition to market mechanisms for capital repairs and modernization of private multi-apartment housing stock. In particular this should be done by facilitating the transfer of responsibilities for capital repairs to homeowner associations or managers of multiapartment homes chosen by owners – this should encourage owners to invest their own and borrowed funds in capital repairs.

One of the most pressing problems of the housing sector is its high energy consumption. The residential buildings built before 1993, which comprise 60 per cent of the total housing stock, suffer from low energy efficiency. Energy consumption in such buildings is 230kWth/m<sup>2</sup>. The buildings built after 2009 according to the modern standards of energy efficiency, consume not more than 130kWh/m<sup>2</sup>. However, a share of these energy efficient residential buildings is comparatively low; around 15 per cent. Improving energy-efficiency in buildings, especially those built after 2009, remains an important challenge. For example, capital renovations, which are conducted by local authorities, do not include works for thermal modernization of residential

buildings and the thermal modernization remains on the shoulders of apartments owners who cannot always afford to finance the measures on the thermal isolation. Involving non-state developers – in particular, the private sector and not-for-profit organizations such as housing cooperatives – in multiapartment housing management and in financing the repairs, can facilitate owner funding of energy-efficiency measures.

Deficiencies in energy-efficiency building regulation are attributed to the lack of a full-fledged system of collecting and processing information on actual energy consumption of residential buildings. Such a system could also measure building compliance with regulatory requirements, as well as material and product energy efficiency.

The communal infrastructure necessary for the provision of public services requires considerable investment for maintenance and modernization. Despite the goal of gradual transition to economically sustainable utility tariffs, subsidized tariffs for certain types of utilities, especially heating, continue to be used. The dependence of public utilities on subsidies makes them financially unsustainable. The Government should complete the transition to economically sustainable utility tariffs while simultaneously ensuring support measures for low-income households.

Finally, it is worth noting that the housing sector landscape is generally very complex and currently managed by different ministries and agencies. After the 2014 dissolution of the national Inter-Agency Council for Reform in the Construction Sector and in the Area of Housing and Utility Services which served as a coordinating body for the housing sector, no new coordination body was established. The Government should therefore establish a new special inter-agency coordinating body for the housing sector, and rework local structures to give them more autonomy in decision-making.

## Supporting evidence-based policy-making and integrated urban planning and land management

To support integrated and efficient policy-making at national and local levels, it is important to create good data infrastructure. Although the National Statistical Committee gathers a sufficiently large amount of housing information, published in various statistical collections on topics with different data volumes and contents, it is not consolidated in a special statistical bulletin. Moreover, some housing information is collected locally and is summarized for relevant ministries and departments, so is not shown in state statistics. There is therefore a need for a regular statistics bulletin reflecting all aspects of the current state of the housing sector and accompanying communal services, including data on

housing needs and affordability, as well as the need for major repairs and energy-efficient upgrades of residential buildings.

Since the 2008 Country Profile, Belarus has achieved great success in harmonizing national legislation in the field of construction and architecture with the technical regulations of the Eurasian Economic Union, as well as international and European standards. In order to ensure continued success, the Ministry of Architecture and Construction should develop a coherent policy for the development of technical regulations and standards to ensure they are harmonized with relevant international standards on construction and urban planning. The Government should also develop programmes to support construction companies in meeting the requirements of harmonized standards. This is important not only to ensure safety, protect health and the environment, but also to develop the technological and innovation potential of construction enterprises.

The system of urban and territorial planning in Belarus is well developed. Spatial planning is the responsibility of local and regional authorities. General plans of cities and regions are well-designed and are available on the Government website. Territorial plans are prepared within national laws and regulations and updated regularly. There is a well-developed mechanism for expropriation of land for construction, parks and roads. Fair compensation is given for the land, as well as for loss of production in future years, both for agricultural and forest land.

The Government is recommended to continue the implementation of the main directions of the state urban planning policy of the Republic of Belarus for 2016-2020 and develop an urban planning policy for the next five years. These measures should support achieving the UN Sustainable Development Goals, the New Urban Development Program and the UN Geneva Charter on Sustainable Housing in Belarus. It is also recommended that the Government envisage measures for the balanced development of the regions. These measures will contribute to the preservation of a more sustainable and balanced system of the human settlements and work opportunities.

For the capital city of Minsk, the General Plan includes not only the city but also the whole agglomeration including smaller towns, which are being developed and called "satellite towns" of Minsk. One innovative aspect of this General Plan is protection of the area between the first and the second outer rings of Minsk as a "green belt". In the future, this green belt could become indispensable as a green lung enabling the metropolis to remain a true "green city".

It is important to note that the implementation of the Minsk General Plan is organized jointly by the city and the Minsk region; however, there is no joint planning authority for the city and the region. The Government should consider establishing a joint metropolitan management authority to

smoothen the process. Moreover, with the growing pressure of global trends such as mass migration, digitalization, and so on, there is a need for stronger involvement of different urban stakeholders (private sector, civil society, academia) to ensure territorial plans reflect these trends. Finally, given the construction of the Minsk China-Belarus Industrial Park and the ensuing potential unequal spatial development, the Government is encouraged to elaborate potential measures to support more balanced countrywide economic development.

On land administration, Belarus has achieved significant progress and has implemented many recommendations from the 2008 Country Profile, including improvements to policy framework, quality of registers and the state land cadastre. In addition, information supply on spatial and administrative data from different registers has been improved by making it available on internet portals. This progress is reflected in the country's position in the World Bank's "Doing Business" report from 2018, where Belarus is ranked 38<sup>th</sup> - up from 110<sup>th</sup> in 2008. The indicator 'registration of property' is particularly telling, with Belarus ranked as fifth in the world, in addition to the high rank for the 'quality index of the land administration system'.

Further improvements in land administration and management will require better and more concrete strategy for privatization and its implementation. This should include using land-related revenues for infrastructure and social purposes, reducing restrictions on foreign land ownership, further simplification of real property formation procedure and facilitation of e-land administration. Other improvements should include basing the land tax on land cadastral market value, a more flexible mortgage system, and empowering local communities to formulate and implement their local planning needs. Moreover, continuing the transition to more efficient and sustainable land management requires assessment of efforts to strengthen small and medium sized towns, and evaluation of the impact of the development of housing along the E30 transportation corridor. It will also involve more professionals working in urban planning sector participating in the planning process (including the private sector), and close monitoring of the expansion of the city of Minsk.



## Financial framework for housing, urban development and land management

Publication of the 2008 Country Profile coincided with the bursting of the housing bubble originating in the United States but whose consequences were felt globally. In response to the economic recession that followed, the Government adopted a concept paper on the National Housing Policy in 2013. This suggested the creation of new housing construction financial mechanisms, such as mortgage loans, a system of housing construction savings, housing bonds, adding to housing stock available for lease, and more favourable conditions for commercial construction of housing.

The housing finance system has long been biased towards public financing and ridden with inconsistencies. In recent years, the economic slowdown led to widespread cuts in housing construction. Fixed investments in housing construction plummeted from over 40 billion roubles in 2014 to 3.7 billion in 2017 - a decrease of almost 91 per cent. To address these challenges, the current administration is developing incentives to attract private investment for new housing, as well as for capital repairs of existing housing stock. The Government is recommended to promote a stable inflow of investment into the housing sector by providing

incentives to national and foreign companies. This would include instruments and policies to reduce administrative barriers, tax burdens and create a favourable investment climate.

The Government should also consider establishing a market for domestic borrowing in national currency, as the mortgage lending system is currently underdeveloped. Creation of a market for mortgage securities, for example a two-tier mortgage loan refinancing system, would assist the banks in clearing their balance sheets of excessive long-term receivables, improving turnover and establishing a sustainable source of long-term domestic borrowing. The National Mortgage Lending Agency, whose establishment was announced in the National Programme "Housing Construction for 2016-2020" may initially refinance mortgage loans to create pools of collateral for mortgage securities.

The Government should also diversify funding sources for local authorities to support housing construction and renovation. Currently, in accordance with the law "On Local Government and Self-Government in the Republic of Belarus", the purview of local government and self-government bodies includes a wide range of issues related to housing sector finance. There is a need for more diverse sources of funding for these - for example, ensuring the provision of concessional loans and subsidies to citizens in need of better housing conditions.



1.

# GENERAL OVERVIEW OF THE COUNTRY SITUATION



# 1. General overview of the country situation

The Republic of Belarus is located in Eastern Europe. To the west the country borders with Poland, in the northwest with Lithuania, in the north with Latvia, in the northeast and east with the Russian Federation, and in the south with Ukraine.

Belarus is in the central part of the European continent at the intersection of Eurasian continental communication routes. It has no access to the sea, but its otherwise favourable economic and geographical location contributes to the development of trade with most European countries. Transit routes as well as major oil and gas pipelines pass through the country.

Most of the country is flat, which has led to the development of agriculture and transport networks. The main rivers of Belarus are the Dnieper and its tributaries, but there are more than 20 thousand rivers and streams in the country as well as about 11 thousand lakes. In the south of the country is a large area of swamp and wetland called Polesie.

The climate of Belarus is moderately continental, with mild to cold winters and warm summers. High precipitation creates favourable conditions for crop cultivation.

The total area of the country is 207 600 km<sup>2</sup>. In 2019, the territory consisted of 6 regions and 118 districts. Currently, the national settlement system is a set of reference localities, connected by transport, communications, socio-economic and cultural ties.

## Political system

The Republic of Belarus is a unitary democratic State which became independent in 1991, after the dissolution of the Soviet Union. The current constitution was adopted in 1994 and amended and supplemented by the national referenda of 24 November 1996 and 17 October 2004. The country is a presidential republic, with the President as head of State, elected by popular vote for a period of 5 years. The President is the guarantor of the Constitution as well as the rights and freedoms of citizens.

Executive power is exercised by the Council of Ministers. The Government is accountable to the President, and responsible to Parliament. The legislative branch is represented by the Parliament or National Assembly, which consists of two chambers: the House of Representatives and the Council of the Republic. Judicial power remains with the courts.

In administrative terms, the territory of Belarus includes areas, districts and cities. The administrative-territorial division of

the State is legislatively determined. The territory of Belarus has of 6 regions: Brest, Vitebsk, Gomel, Grodno, Minsk and Mogilev, as well as 118 districts. Minsk is the capital city, but local management is carried out through local executive and administrative bodies.

Minsk is located on the banks of the Svisloch River and has a fifth of the country's total population. Geographically, the city is located at the intersection of the main transport routes and is a major industrial centre.

## Economic development

Since Soviet times, the Republic of Belarus has had a well-developed industrial sector and highly skilled workforce. From 1996 to 2010, the Belarusian economy experienced a dynamic annual GDP growth rate of 6.3 to 7.5 per cent. Among the CIS countries, the Republic of Belarus was ranked 3rd in 2010, behind the Russian Federation and the Republic of Kazakhstan.<sup>2</sup> This was a consequence of several external factors such as high export demand from major trading partners - CIS countries, particularly the Russian Federation - which greatly contributed to growth. The availability of inexpensive fuel from the Russian Federation, as well as the profitable export of petroleum products and fertilizers, were also powerful incentives for economic development. By 2017, the real GDP of Belarus was almost 1.9 times higher than in 1990. However, since 2010, economic growth rate has slowed significantly, as overall slowdown in economic development in the EU countries and the Russian Federation strongly affected the Belarusian economy. At the end of 2017, the GDP growth rate was 2.4 per cent (see figure 1). After two years of recession since 2017, measures taken by the Government stabilized the macroeconomic situation and restored investment activity.

Uncertainty remains about factors determining Belarusian economic development. From the late 1990s to the early 2000s, industrial production provided economic growth, but the new factors of technology, innovation and investment should be considered for future growth.<sup>3</sup>

<sup>2</sup> Information from the official web-site of the President of the Republic of Belarus. Available at: [http://president.gov.by/ru/economy\\_ru/](http://president.gov.by/ru/economy_ru/)

<sup>3</sup> Innovation for Sustainable Development Review (Belarus), p.20.

TABLE 1

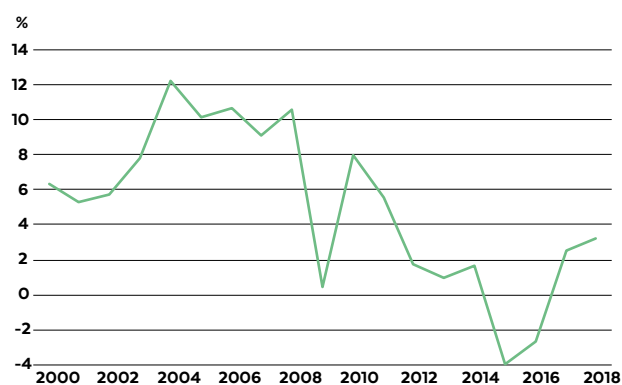
## Structure of the political system

PRESIDENT						
LEGISLATIVE POWER		EXECUTIVE POWER		JUDICIAL POWER		
National Power						
NATIONAL REPRESENTATIVE BODIES		NATIONAL EXECUTIVE AND ADMINISTRATIVE BODIES		NATIONAL BODIES OF JUDICIAL POWER		
National Assembly		Council of Ministers		Supreme Judicial Bodies		
Council of the Republic	House of Representatives	Ministries Committees	Presidium of the Council of Ministers	Constitutional Court	Supreme Court	Supreme Economic Court
Local Level						
LOCAL REPRESENTATIVE BODIES (SELF-GOVERNMENT)		LOCAL EXECUTIVE AND ADMINISTRATIVE BODIES (LOCAL GOVERNMENT)		TERRITORIAL BODIES OF JUDICIAL POWER		
Regional sub-level						
<ul style="list-style-type: none"> <li>Regional (oblast) Council of Deputies</li> <li>Municipal Council of Deputies (City of Minsk)</li> </ul>	<ul style="list-style-type: none"> <li>Regional (oblast) Executive Committee</li> <li>Municipal Executive Committee (City of Minsk)</li> </ul>	<ul style="list-style-type: none"> <li>Regional (oblast) Court</li> <li>Municipal court (City of Minsk)</li> </ul>				
Basic sub-level						
<ul style="list-style-type: none"> <li>Council of Deputies of Administrative district (rayon)</li> <li>Municipal Council of Deputies (cities of regional subordination)</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee of Administrative District (rayon)</li> <li>Municipal Executive Committee (cities of regional subordination)</li> </ul>	<ul style="list-style-type: none"> <li>Court of Administrative District (rayon)</li> <li>Municipal court (cities of regional subordination)</li> </ul>				
Primary sub-level						
<ul style="list-style-type: none"> <li>Village Council of Deputies</li> <li>Executive Committee &amp; Council of Deputies of townships, and rural settlements</li> <li>Municipal Executive Committee (towns subordinate to districts)</li> </ul>	<ul style="list-style-type: none"> <li>Local Administrations of Municipal Districts</li> </ul>					

Source: Akademie Fur Raumforschung und Landesplanung, Republic of Belarus. Available from <https://www.arl-net.de/en/commin/belarus/15-division-and-interrelation-political-and-administrative-system>

FIGURE 1

## GDP growth rates, 2000 – 2018



Source: World Bank, 2018.

The main branches of the economy are industry, agriculture, construction, trade and transport. Industry is the basis of the country's production potential - it accounts for a quarter of the country's gross domestic product and 23 per cent of total employment in the economy.

Leading industries include machine-building, machine tool-building, chemical, timber and woodworking, optical and mechanical, lighting, and food. There are over 100 large industrial enterprises.<sup>4</sup>

Agriculture consists of livestock products, flax, potatoes, grain and vegetable crops as well as sugar beet, rapeseed and fodder crops. The agro-industrial complex of the country is oriented towards multi-sector agriculture. Agriculture

<sup>4</sup> "About Belarus", United Nations website in Belarus. Available at: <http://un.by/en/oon/about-belarus>, visited February 16, 2018.

accounts for 6-7 per cent of the country's GDP and 9 per cent of the country's total employment.<sup>5</sup>

From 2001 to 2014, Belarus was a member of the Eurasian Economic Community (EurAsEC) and since 2015 has been a member of the Eurasian Economic Union (EAEC). The EAEC was established in 2015 and unites Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation. At present, the EAEC is only an economic union with an emphasis on the free movement of capital, goods, services and labour within a common market. The Russian Federation is the main trading partner of Belarus, accounting for over 40 per cent of exports and more than half the volume of imports, so free movement of goods and facilitation with the Russian Federation is essential.

### Economy and environmental quality

In the Soviet era, the GDP of Belarus was ensured by the production of military equipment, automobiles, tractors, machine tools, electronics and devices. Now, the state industrial sector and agriculture dominate the country's economy. Belarus does not provide all its energy needs independently; imported oil is still the main source of energy.<sup>6</sup>

Air pollution is the main factor in the environmental quality of urban environments. In most Belarusian cities, the average annual content of pollutants does not exceed established hygienic standards. However, air as well as water pollution remain serious environmental challenges. The share of housing and utility facilities in overall country emissions are 70 and 14 per cent. The main emissions come from mobile sources, while stationary industrial sources, including power plants, account for 15 per cent of all emissions. Other environmental challenges include those related to solid waste management and wastewater treatment.

Among stationary sources of emissions, the main contributors are the power industry, the chemical and petrochemical industries, the foundry industry, agriculture, and the production of building materials. The main contributor of atmospheric pollutants from stationary sources is the Vitebsk region, accounting for 22 per cent of the total. The city of Novopolotsk has the highest emission density of harmful substances, due to large petrochemical plants such as OJSC "Naftan" and the Polymir plant, as well as several other industrial and energy enterprises.<sup>7</sup>

In general, the proportion of captured and neutralized air pollutants in the total amount of pollutants from stationary sources is consistently high (86–89 per cent). Over the past

<sup>5</sup> National Statistical Committee of the Republic of Belarus. Available from <http://www.belstat.gov.by/> (accessed on 20 February 2018).

<sup>6</sup> UN-Habitat, 2013, c. 134-135.

<sup>7</sup> <http://belchas.by/news/uzhe-mnogo-let-spisok-samykh-griaznykh-gorodov-belarusi-vozglavljaet-novopolotck.html>

twenty years, the predominant source of city atmospheric pollution have been mobile sources.

The Republic pays great attention to reducing the risk of natural disasters. It has created an extensive regulatory and legal framework to regulate prevention and amelioration of emergency situations and their consequences, monitoring and forecasting natural and man-made emergencies. Natural emergencies such as floods, storms, hurricanes and fires happen annually, but there is a steady downward trend in their occurrence. One of the most serious industrial and environmental disasters in the 20<sup>th</sup> century was the 1986 Chernobyl nuclear power plant catastrophe in Ukraine. About 70 per cent of the radioactive fallout fell on Belarus, contaminating 23 per cent of the territory of the country.

### *Rehabilitation of settlements affected by the disaster of the Chernobyl nuclear power plant*

In the aftermath of the Chernobyl disaster, there were 3,678 settlements in territories contaminated by radiation, including 27 cities with a total population of 2.2 million. During 1986, 24.7 thousand inhabitants from the 107 most affected settlements were evacuated from the Belarusian accident zone. A total of 137.7 thousand people were resettled from territories affected by the Chernobyl disaster, of which 75 per cent were residents of the Gomel region. About 200 thousand people voluntarily chose to leave contaminated territories. After the Chernobyl disaster, 479 settlements ceased to exist – 306 in the Gomel region and 173 in the Mogilev region.

Today, half of the 118 districts of Belarus are affected by the disaster, 21 to a major degree. The consequences of the catastrophe have not yet been completely overcome, and negatively affect the socio-demographic and economic situation in urban and rural settlements in affected territories.

The country's environmental problems after Chernobyl are caused primarily by cesium-137 contamination – this accounts for more than 90 per cent of population radiation exposure. The main concentration of cesium – 137 contamination is in the Gomel and Mogilev regions; in the Brest, Grodno and Minsk regions, the proportion of polluted areas is small.

Practical work to overcome the effects of the disaster is carried out by State programmes and international cooperation projects. Currently, the fifth State program is carrying out environmental and economic rehabilitation of the affected areas.

Regular monitoring informs management decisions, assessing radiation and predicting changes in radiation-ecological state. Currently, there are 55 dosimetric posts in the country daily measuring levels of gamma-radiation dose rates and total beta activity. Radioactive fallout from the atmospheric surface layer is monitored at 27 posts.

## Demographic context

The total population remains stable - at the beginning of 2005 it was 9,697,475 people, which decreased by 2.36 per cent to 9,468,154 people at the beginning of 2014. In 2018, the population of the Republic of Belarus was 9.452 million people.<sup>8</sup>

Other demographic indicators changed slightly. Between 2005 and 2013, the life expectancy of men and women increased by 4.4 and 2.8 years to 67.3 and 77.9 years respectively. Over the same period, the total fertility rate increased by 33.2 per cent from 1.25 to 1.67, while the infant mortality rate more than halved, from 7.1 per 1,000 born in 2005 to 3.5 in 2013, representing a significant decrease of 50.7 per cent and a very low absolute level.

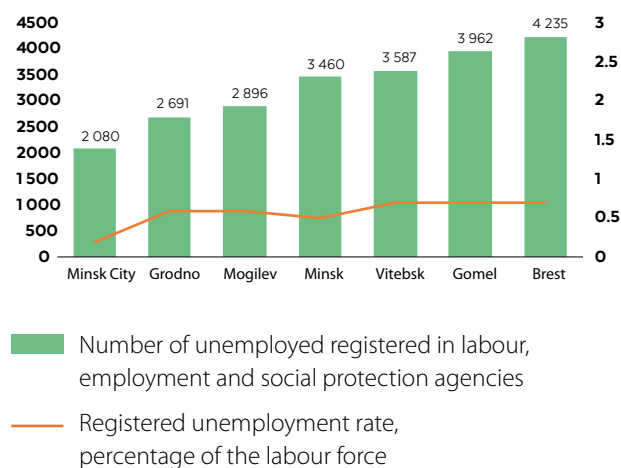
The average age of the population since 1990 has been constantly increasing. During this period, it has grown by 5.1 years (men - 4.7 years, women - 5.2 years). Today the average age is 40.2 years (men - 37.3 years, women - 42.6 years).

The average population density is 45.6 people/km<sup>2</sup>. Minsk, the country capital, has 1,975 thousand inhabitants; a fifth of the country's total population. The Minsk and Gomel regions are the most densely populated with almost 30 per cent of the country's population. The smallest city by population is Disna in the Vitebsk region, with 1,462 people.

The level of registered unemployment (see figure 2 for 2018 data) remains very low and is not subject to fluctuations. Even the economic recession after 2008 did not lead to an unemployment increase. Until 2007, the level of registered unemployment was more than 1.0 per cent of the workforce, but in 2008 it fell below 1.0 per cent and remains at this level.

FIGURE 2

### Unemployed people registered with agencies for labour, employment and social protection and corresponding workforce demand reported by organizations in 2018, by region



Source: Demographic Yearbook, Ministry of Labour and Social Protection of the Republic of Belarus, 2018.

The share of the population with incomes below the national poverty line decreased during the period under review. In 2005, it was 12.7 per cent, but gradually declined until 2010, reaching a minimum of 5.2 per cent. In 2011, this trend was reversed, but in 2012 positive dynamics in poverty reduction led to a recovery, and ultimately this figure was 5.5 per cent in 2013 and 4.8 per cent in 2014.<sup>9</sup> In 2017, the national poverty level in the Republic of Belarus was 5.9 per cent.

<sup>8</sup> Available from <http://data.un.org/en/iso/by.html>.

<sup>9</sup> The main socio-economic indicators for the Republic of Belarus, oblasts and the city of Minsk in January-March 2018 are available from [http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public\\_bulletin/index\\_8931/](http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_bulletin/index_8931/)



Map No. 3776 Rev. 3 UNITED NATIONS  
January 2004

Department of Peacekeeping Operations  
Cartographic Section



An aerial photograph of a city, likely Vilnius, Lithuania, showing a mix of historic and modern architecture. In the foreground, a river flows through a park-like area with green lawns and trees with autumn foliage. A prominent white church with two towers is visible. The middle ground is filled with dense residential buildings, including a large white building with a red roof. In the background, a city skyline with various high-rise apartment buildings is visible against a hazy sky.

2.

## HOUSING SECTOR AND HOUSING CONSTRUCTION

## 2. HOUSING SECTOR AND HOUSING CONSTRUCTION

### Housing sector legal and institutional framework

Generally, the housing sector has a well-developed legal framework. A distinctive feature of the legal system is its considerable range of authorities, and direct regulation of many housing issues by Presidential decrees.

Housing legislation is based on the Constitution of the Republic of Belarus and consists of the Housing Code, regulatory and legislative acts of the President of the Republic, and other legislation.

*The Housing Code of the Republic of Belarus* is the main law concerning housing. It determines:

- Powers of national and local Government authorities concerning housing;
- Rights and obligations of citizens and institutions concerning housing;
- Rules for State record-keeping concerning housing premises and their use, including reconstruction and alterations;
- Procedures for registering citizens needing housing improvements and for allocating housing from the State-owned housing stock;
- Rules for acquisition, use and termination of property, ownership, and usage rights for housing units;
- Housing privatization issues;
- Obligations concerning maintenance of the housing stock, payments for housing and utilities, use of housing units, as well as structure and procedures for handling such payments;
- Issues of housing stock management, including housing owners' joint property management in multi-unit residential buildings;
- Issues of establishing and operating housing owners' organizations (housing cooperatives) and condominium associations.

A revised Housing Code is expected to be adopted in 2019. A corresponding draft law has been prepared, discussed and reviewed by the National Assembly.

*The Civil Code of the Republic of Belarus* determines the legal status of participants to civil-law transactions, the basis for property transfer, and procedures for exercising property and related rights. These include acquisition of property for a housing co-op member who has fully paid the mandatory

contribution, and transfer of land rights where buildings are owned separately to land.

*The Civil Code* gives apartment owners the right to establish owners' housing associations to maintain multi-unit residential buildings. It also entitles apartment owners in a multi-unit residential building to shared ownership of the buildings' common property and determines the common property rights of apartment owners in multi-unit residential buildings.

*The Land Code of the Republic of Belarus* is the main law regulating land rights. It determines the land powers of State authorities, as well as transfer and termination of property or other land ownership rights. This law limits the transfer of land to private owners, as well as the creation and restriction of land rights, establishes land plot borders, and determines rights and obligations of land users.

*The Law of the Republic of Belarus "On Architectural, Urban Development and Construction Activities"* regulates architectural and urban development as well as construction activities. It sets the standards for project permits as well as licenses for design, construction, reconstruction, restoration, capital repairs, and obtaining permits for construction and mounting works.

The Law also sets requirements for the state audit of urban development, architectural and construction projects, including the budgets for such projects. Finally, it sets out procedures for construction oversight, and for commissioning upon completion.

However, its scope does not include reequipping or redesigning apartments in multi-unit residential buildings, or reequipping, redesigning or reconstructing multiple or single unit houses, including residential or non-residential areas. It also does not regulate non-residential capital structures on the property grounds. To remedy this, in 2019, the Law will undergo amendments allowing it to set standards for capital or routine repairs of residential premises and houses, as well as for inspecting multiple or single-unit residential buildings and their grounds.

### Housing management organizational framework

The Housing Code controls participation in housing management for the following bodies: state governance and executive authorities, local councils of deputies, executive committees of oblasts and the city of Minsk, district, city, town, and rural settlement executive committees, and local district administrations within their terms of reference (see table 2).

The National Inter-Agency Council for Reform in the Construction Sector and in the Area of Housing and Utility Services was responsible for coordinating government legal, organizational and economic measures for implementing policy in construction, housing and utilities from 2011 until 2014. The main objectives of the Inter-Agency Council included developing proposals to improve the tariff policy in

housing and utility services, as well as and reducing costs. It organised the development of measures to improve methods in construction, housing and utilities, and management of comprehensive development and urban land improvement. It also developed measures to improve the construction industry's investment potential and attract new funding sources for housing construction.

Currently, there is no longer any specialized housing interagency coordinating body. Instead, the Council of Ministers is directly responsible for coordination of Ministries and Agencies in this area.

The Republic has maintained the research, design and manufacturing organizations established in the Soviet era, the majority of which are currently state-owned enterprises reporting to ministries. These organizations are significant in developing and implementing state housing policy, as well as technical policy in housing and housing construction. The non-governmental sector and the public play a limited role.

### *Housing Policy*

The right of citizens to a decent living standard, including housing, is established in the Constitution. Citizens' rights to housing are met by the development of state-owned and private housing stock, and by assistance in acquiring housing. Housing for citizens in need of social protection is provided by national and local authorities free of charge or at an affordable price, in accordance with legislation.

One of the first policy documents giving the basis for housing policy during the transition to a market economy was the National Housing Programme of 3 May 1999. The concept paper on the construction and reconstruction of affordable and comfortable housing for citizens adopted later (February 22, 2008) comprehensively resolved the issues of transition to a sustainable functioning housing sector, providing affordable housing and creating safe and comfortable living conditions.

The main proposals to achieve this were to:

- Create conditions for up-scaling housing provision;
- Use existing housing stock effectively, by optimally distributing among owners and tenants, improving the social protection system by streamlining existing benefits, and more effectively targeting needs when providing housing;
- Stimulate sustainable housing demand by taking a differential approach to families of different economic capacity, encouraging them to actively seek opportunities to provide adequate housing for themselves.

The main goal of the National Housing Policy from 2012 to 2015 was to satisfy the need for affordable and comfortable housing, while strongly encouraging citizens to invest personal funds in constructing their own homes. To achieve

this, the policy aimed to create and improve forms, methods, and mechanisms for attracting the population's financial resources, such as mortgage loans and housing bonds. In addition, the policy would stimulate housing construction funding from extra-budgetary sources, including companies providing housing loans to employees, organizations and enterprises building social housing for employees, and attracting foreign investment into housing construction.

During the global economic crisis, a new concept paper on the National Housing Policy was adopted in 2013 for the period until 2016.<sup>10</sup> This concept paper suggested developing existing financial mechanisms for housing construction, as well as fostering mortgage loans, a system of housing construction savings, and housing bonds. It also stipulated creating favourable conditions for commercial construction of housing, adding to housing stock available for lease, and developing individual housing construction on an industrial basis.

The goals and objectives of the housing policy until 2020 were defined by Resolution No. 326 of the Council of Ministers, "Comfortable Housing and Friendly Environment" for 2016-2020, and the National Programme "Housing Construction" for 2016-2020. The National Housing Policy until 2020 aims to create conditions for meeting citizens' needs for affordable and comfortable housing in accordance with their individual preferences and financial capacities, and to establish a full-fledged housing market.<sup>11</sup>

Housing policy is formulated assuming that the country will continue to develop, reducing the need for government funding and expanding extra-budgetary sources. This is the reason for the emphasis on the creation of comfortable, robust housing stock which is cost-efficient in maintenance and management, as well as capable of meeting the housing needs of current and future generations. This should ensure housing affordability for everyone and improve the housing per capita indicator. It should also be funded primarily by extra-budgetary sources and long-term housing loans to citizens.

The current objectives of the National Housing Policy are to provide each citizen with a wide range of options for housing, including construction of new housing, purchasing on the secondary housing market, or renting units from state-owned or private housing stock.

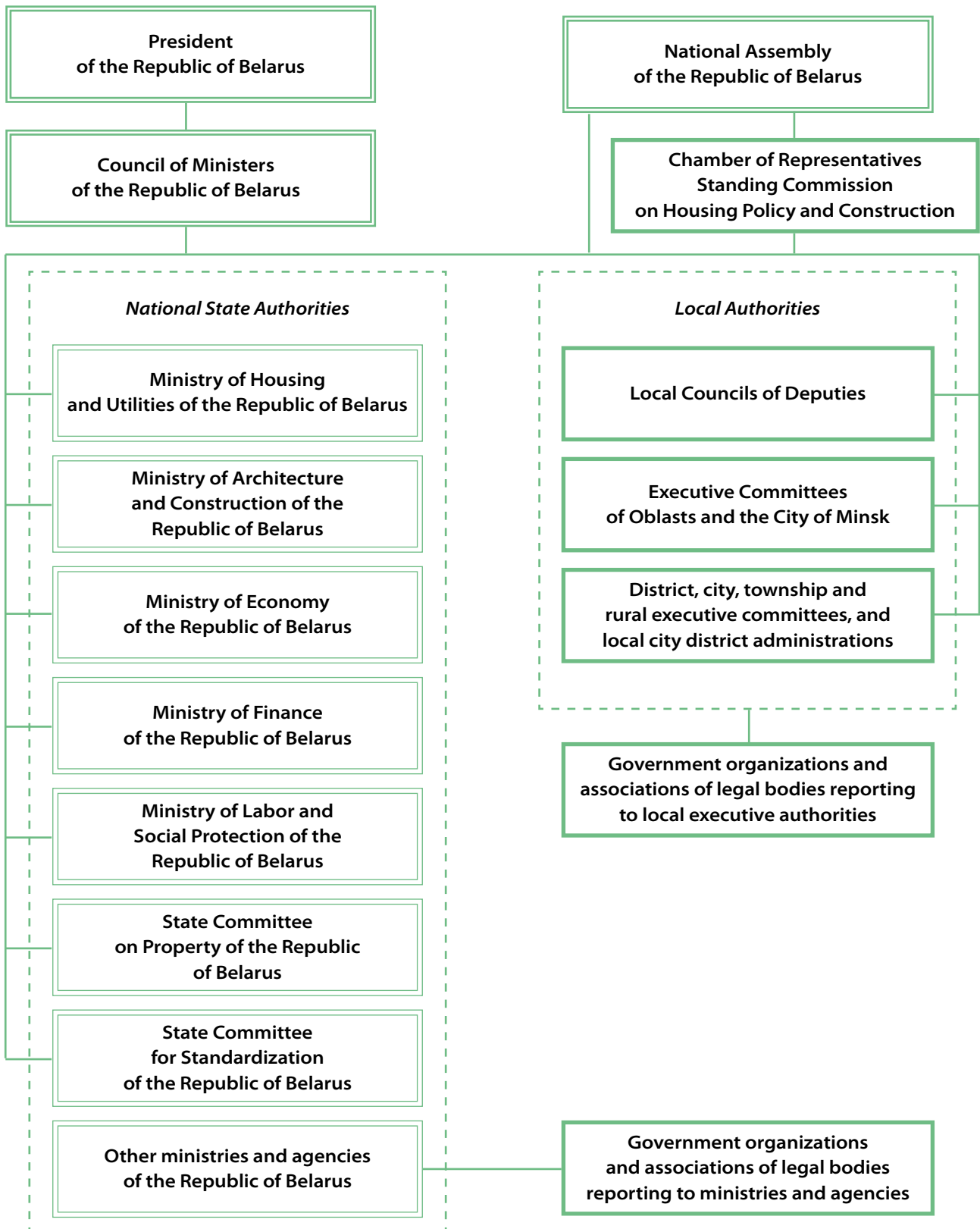
State support is provided to citizens unable to improve their housing conditions, as well as to other categories of citizens, based on circumstances. State support is targeted and adjusted to citizens' needs.

<sup>10</sup> The Concept Paper was approved by Resolution of the Council of Ministers of the Republic of Belarus No. 267 of 5 April 2013.

<sup>11</sup> Republic of Belarus, Ministry of Architecture and Construction. Website - [http://www.mas.by/ru/housing\\_ru/](http://www.mas.by/ru/housing_ru/)

TABLE 2

Housing sector management organizational structure



### *Housing policy implementation tools (national and municipal programmes in the housing sector)*

The National Housing Policy of the Republic of Belarus aims to create conditions for meeting citizens' needs for affordable and comfortable housing. This is reflected in conceptual policy documents and has been consistently implemented by targeted national housing programmes adopted for periods ranging from 2 to 5 years.

The National Housing Policy is implemented through a range of national programmes that also address housing construction in rural areas, and individual housing construction:

- The National Programme for the Rebirth and Development of Rural Areas for 2005-2010
- The National Comprehensive Programme for the Development of Regions, Small and Medium Urban Settlements for 2007- 2010
- Comprehensive Programme for the Design, Construction and Reconstruction of Energy-Efficient Residential Buildings for 2009-2010 and until 2020
- National Programme for the Sustainable Development of Rural Areas for 2011- 2015
- Programme of Industrial Individual Housing Construction until 2016
- Programme of Individual Housing Construction until 2016
- National Programme "Housing Construction" for 2016- 2020.

The most recent National Programme, "Housing Construction" for 2016-2020, aims to improve the Republic's affordable and high-quality housing per capita indicator. This target indicator was planned to increase from 26.5 m<sup>2</sup> per person in 2016 to 27.3 m<sup>2</sup> by 2020. Due to the early achievement of this target, additions and amendments were introduced into the programme.<sup>12</sup>

## Existing housing stock

### *Population density*

The average population density indicator value is 46 people per km<sup>2</sup>,<sup>13</sup> but the population is unevenly distributed over the country's territory (see figure 3). Population density in rural areas ranges from under 10 people per km<sup>2</sup> to over 70.

The most densely populated districts are the Minsky and Molodechenskiy districts of the Minsk Oblast, Mozyrskiy district of the Gomel Oblast, Orshanskiy district of the Vitebsk Oblast, and Lidskiy district of the Grodno Oblast.

The most densely populated cities on 1 January 2017, are: Minsk (5,675 people per km<sup>2</sup>), Gomel and Mogilev (from over 3,000 to 3,830 people per km<sup>2</sup>).

<sup>12</sup> Amendments to the Programme were introduced by Resolution of the Council of Ministers No. 984 dated 29 December 2018.

<sup>13</sup> Belarus in Numbers: Statistical Reference Book, National Committee for Statistics of the Republic of Belarus, Minsk, 2018, p. 6

**FIGURE 3**

### Population density, 2017



*Source:* "Statistical Compendium: Social Status and Living Standards of the Population of the Republic of Belarus", National Committee for Statistics of the Republic of Belarus, Minsk, 2017, p. 37.

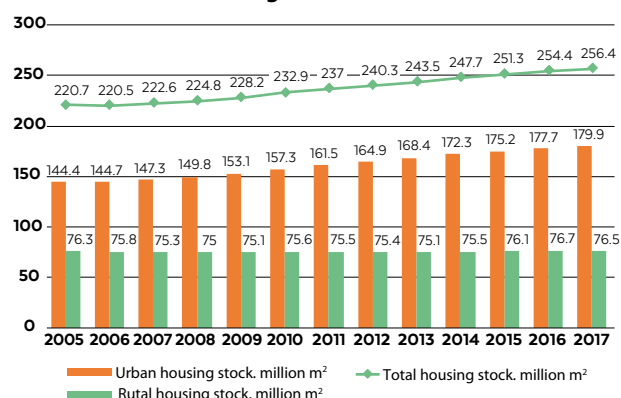
### *Floor area of housing stock*

According to early 2018 data, the total floor area of the Republic's housing stock is 256.4 million m<sup>2</sup>, out of which 70.17 per cent - 179.9 million m<sup>2</sup> - is urban housing stock, and 29.83 per cent - 76.5 million m<sup>2</sup> - is rural housing stock.<sup>14</sup> One quarter, or 44.91 million m<sup>2</sup>, of the total housing stock floor area is in the city of Minsk.

Since 2005, the housing stock floor area has increased by 16.2 per cent. This figure is largely due to the growth of urban housing stock, accounting for 24.61 per cent. Since 2005, rural housing stock has increased by only 0.28 per cent (see figure 4).

**FIGURE 4**

### Evolution of the housing stock, 2005-2017



*Source:* National Committee for Statistics of the Republic of Belarus: [http://www.belstat.gov.by/ofitsialnaya-statistika/socialnaya-sfera/zhilischnye-usloviya/godovye-dannye\\_4/zhilischnyi-fond-po-oblastyam-i-g-minsku/](http://www.belstat.gov.by/ofitsialnaya-statistika/socialnaya-sfera/zhilischnye-usloviya/godovye-dannye_4/zhilischnyi-fond-po-oblastyam-i-g-minsku/).

<sup>14</sup> Republic of Belarus, National Committee for Statistics, Statistical Compendium "Housing Stock of the Republic of Belarus", Minsk, 2018, pp. 7-9.

### Housing per capita

According to statistical data, average housing floor area per capita in the Republic of Belarus has increased from 24.6 m<sup>2</sup> in 2010 to 27.0 m<sup>2</sup> in 2018.<sup>15</sup> The urban housing per capita over the same period has increased from 22.1 to 24.3 m<sup>2</sup>, while in rural areas the same indicator has increased from 32.0 to 36.8 m<sup>2</sup>. The city of Minsk has the lowest figure per capita, with 22.7 m<sup>2</sup> per person.

### Type and age of residential buildings

There are 1,544,378 residential buildings in Belarus, out of which 554,734 (36 per cent) are in cities and urban settlements, while 989,644 (64 per cent) are in rural settlements.<sup>16</sup> The number and share of residential buildings per type is shown in Table 3 and Figure 5.

At the beginning of 2018, the total number of housing units was 4,235,252 out of which 3,051,804 (72 per cent) were in urban settlements and 1,183,448 (28 per cent) were in rural settlements. According to statistical data, multi-unit residential buildings (73,325 units) account for only 4.75 per cent of the residential buildings in Belarus, however, they accommodate over 60 per cent of housing units (apartments) and account for over 70 per cent of the total housing stock floor area.

**TABLE 3**

#### Number and types of residential buildings, 2017

	Number of residential buildings, units				
	Total	Dormitories	Single-unit	Townhouse	Multi-unit
Republic of Belarus	1 544 378	3 486	1 402 259	65 308	73 325
Percentage	100.00	0.23	90.8	4.23	4.75
In urban settlements	554 734	2 709	465 937	40 627	45 461
Percentage	35.92				
In rural settlements	989 644	777	936 322	24 681	27 864
Percentage	64.08				

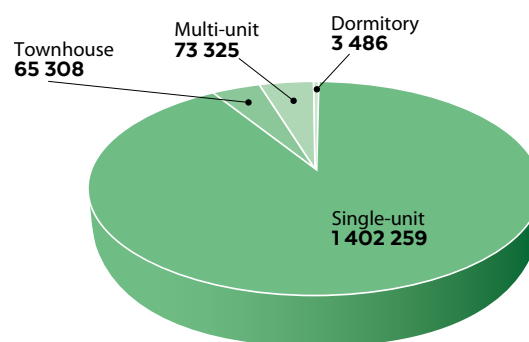
*Source:* Statistical Compendium "Housing Stock of the Republic of Belarus", National Statistical Committee of the Republic of Belarus, Minsk, 2018, p. 5.

<sup>15</sup> Republic of Belarus, National Committee for Statistics, Statistical Compendium "Social Status and Living Standards of the Population of the Republic of Belarus", Minsk, 2017, p. 188; Statistical Compendium "Housing Stock of the Republic of Belarus", Minsk, 2018, p.5.

<sup>16</sup> Republic of Belarus, National Committee for Statistics, Statistical Compendium "Housing Stock of the Republic of Belarus", Minsk, 2018, p.5.

**FIGURE 5**

#### Typology of residential buildings by type, 2017



*Source:* Statistical Compendium "Housing Stock of the Republic of Belarus", National Statistical Committee of the Republic of Belarus, Minsk, 2018.

According to Minsk City Executive Committee data, the total number of residential buildings in the city is 23,899. This is distributed as follows:

- Dormitories: 428 units (1,709,800 m<sup>2</sup>);
- Single-unit and townhouse buildings: 16,133 units (3,324,200 m<sup>2</sup>);
- Multi-unit residential buildings: 7,338 units (39,926,000 m<sup>2</sup>).

Minsk has 10.01 per cent of the multi-unit residential buildings of Belarus. This share consists of:

- 2,063 buildings from one to three floors high. These account for 28.11 per cent of Minsk's multi-unit residential buildings, but only 2.32 per cent of the total floor area of the multi-unit housing stock: 927,600 m<sup>2</sup> out of 39,926,900;
- 5275 medium-height, high rise and tower buildings. These account for 71.89 per cent of Minsk's multi-unit residential buildings, 97.68 per cent of the total floor area of multi-unit housing stock: 38,998,400 m<sup>2</sup>.

Using the city of Minsk as an example, it can be seen that many one-family houses and low-rise multi-unit residential buildings are located in urban settlements, while multi-unit residential buildings more than three floors high form the largest proportion of city housing stock. According to national experts, however, people prefer to live in low- and medium-rise multi-unit residential buildings. At time of commissioning, data on housing stock distribution was not collected by government statistics agencies at the national level, but by local executive authorities instead.

The housing stock of the capital of Belarus was virtually destroyed in the Second World War, and rebuilding started in 1946. More than 60 per cent of the current multi-unit housing floor area was commissioned from 1946 to 1985.

### Technical condition of the housing stock

Most of the housing stock of the Republic of Belarus has been built recently and has reasonably sound structural conditions. According to 2017 data, only 0.086 per cent of the housing stock (by floor area) was in dilapidated or ultimate-limit state (ULS). The share of this substandard state housing has reduced since 2013, when it accounted for 0.12 per cent.

At 0.148 per cent, the share of substandard state housing in rural settlements is larger than the 0.06 per cent of urban housing stock. The Vitebsk oblast, with 50,560 m<sup>2</sup> or 0.16 per cent, and Mogilev oblast, with 47,530 m<sup>2</sup> or 0.16 per cent, have the largest shares of substandard state housing in the country. The city of Minsk has the smallest share with 3,450 m<sup>2</sup> or 0.008 per cent.

**TABLE 4**

#### Dilapidated and ultimate-limit-state housing, 2017

	Total area, m <sup>2</sup>		Number of people residing in dilapidated and ultimate limit state buildings
	Dilapidated	Ultimate-limit state	
Republic of Belarus	162 268	59 442	2 047
Urban settlements	88 691	19 446	1 723
Rural settlements	73 577	39 996	324

*Source:* Statistical Compendium “Housing Stock of the Republic of Belarus”, National Committee for Statistics of the Republic of Belarus, Minsk, 2018.

Although the share of dilapidated and ULS housing is very small, the need for capital repairs of multi-unit residential buildings is considerable. According to the state-owned association “Minsk City Housing Services” of the Minsk City Executive Committee capital repairs are needed in 2,648 residential buildings (36.09 per cent of multi-unit buildings) with a total floor area of 15,890 thousand m<sup>2</sup> (39.8 per cent of multi-unit housing stock floor area) and a service life from 25 to 45 years.

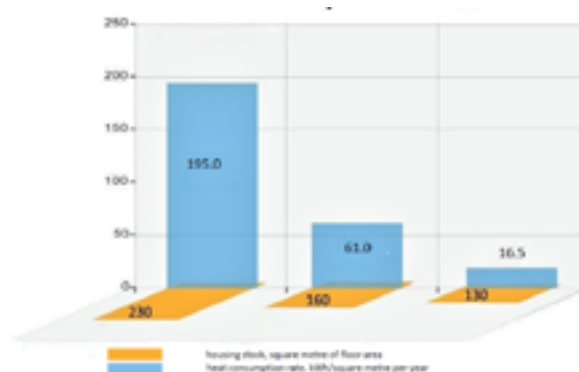
In order to meet Technical Regulation TR 011/2011 “Safety of Lifts” of the Customs Union, more than 11,000 lifts in multi-unit residential buildings must be replaced by 2020. The National Programme “Comfortable Housing and Friendly Urban Environment” for 2016-2020, has a sub-programme specifically designed to address this issue. This provides for an increase in the number of lifts replaced annually - from 410 in 2016 up to 2,439 in 2020.

### Energy efficiency of the housing stock

The housing stock’s high energy consumption is one of the most important housing sector problems.<sup>17</sup> Low energy efficiency is typical of buildings built before 1993, which account for 60 per cent of total housing stock.<sup>18</sup> Average specific energy consumption for heating and hot water in these buildings is 230 kWh/m<sup>2</sup> per year (see figure 6). The same energy consumption in buildings erected after 2009, in accordance with current heat insulation requirements, does not exceed 130 kWh/m<sup>2</sup> per year, but these buildings only account for 15 per cent of housing stock total floor area. The National Programme “Comfortable Housing and Friendly Urban Environment” for 2016-2020, aims to upgrade older housing stock so specific heat consumption rates are like newly built energy-efficient housing.

**FIGURE 6**

#### Housing stock distributed by specific heat consumption rates per year



*Source:* State-owned enterprise “Institute of Housing – NIPTIS named after S. Atayev”.<sup>19</sup>

### Housing ownership forms

According to the Housing Code, residential premises may be state-owned or privately owned. Types of ownership differ between state housing stock and private housing stock.

State housing stock includes:

- National Housing Stock: all residential premises owned by the Republic of Belarus;

<sup>17</sup> Alexander Terekhov, Minister of Housing and Utility Services, “Minsk Experience to be Disseminated Country-wide by Year-end”, Minsk, 26 March 2018. Available at [http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase\\_id=713521](http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase_id=713521)

<sup>18</sup> “Open Talk: Energy Efficiency of the Housing Sector: Achievements, Problems, Prospects”, *Standartizatsiya*, No. 5, 2018. Available from [www.gosstandart.gov.by/belgiss.by](http://www.gosstandart.gov.by/belgiss.by)

<sup>19</sup> Leonid N. Danilevsky, First Deputy Director of the State-owned enterprise “Institute of Housing – NIPTIS named after S. Atayev”, “Core principles of creating energy-efficient floor area”, presented at the workshop “Sustainable Housing and Urban Planning: National Priorities of the Republic of Belarus and Best Global Practices”, Grodno, Belarus, 31 May 31 – 1 June 2018.

- Community Housing Stock: all residential premises owned by sub-national territorial bodies.

State housing stock residential premises are under the economic jurisdiction and day-to-day management of local executive authorities, as well as other state authorities and organizations.

State housing stock also includes:

- Residential premises for social purposes;
- Residential premises in dormitories, and special residential premises;
- Residential premises for commercial use;
- Other residential premises for purposes defined by the President.

Housing stock for commercial use consists of residential premises that failed to be privatized during the state housing privatization period, service housing, and some of the state's housing stock. Currently commercial-use housing stock is expanding through acquisition of newly-built residential premises.

Residential premises for commercial use are provided to citizens under state housing stock lease agreements, and rent is paid for their use. In the new revision of the Housing Code, these are called "rental housing". State housing stock residential premises for social purposes are also provided to eligible citizens on a lease agreement. No rent is collected for their use, and they are not subject to privatization, exchange, division or sub-leasing.

Private housing stock includes:

- Residential premises owned by citizens
- Housing stock of non-State-owned organizations, including residential premises.

The right to own and use residential premises arises from Article 23 of the Housing Code and is granted by:

- Title
- Membership in a housing or housing construction cooperative
- Lease or sublease agreement
- Other grounds stipulated in the legislation.

Much of the housing stock owned by citizens is a result of state housing stock privatization over the last few decades. Before 1 July 2016,<sup>20</sup> citizens occupying State housing stock could apply for its privatization, except for premises listed in Article 135 of the Housing Code.

Currently citizens and legal bodies, once correctly registered, can acquire residential premises by purchase agreements,

exchange agreements, or any other transfer of ownership transaction in any population centre of the Republic. Transfer of ownership may be of houses or apartments in whole or part.

The legislation of the Republic of Belarus does not discriminate on the basis of gender in property rights for real estate, including housing.

### *Residential premises distributed by forms of ownership*

The distribution of the Republic's housing stock by form of ownership, according to statistical data at the end of 2017, is shown in Table 5.

**TABLE 5**

**Housing stock of the Republic of Belarus distributed by type of ownership, 2017**

Housing stock type	Floor area, thousand m <sup>2</sup>	Share in the housing stock, percentage
Housing stock, total	256 415.7	100.0
State housing stock,	14 882.6	5.8
including stock held by:		
National ownership organizations	2 315.0	15.6
Community ownership organizations	12 567.5	84.4
Private housing stock,	241 397.7	94.1
including stock owned by:		
Individuals	227 440.4	94.2
Non-State-owned legal bodies,	7 281.2	3.0
including:		
Housing cooperatives and housing construction cooperatives	6 099.0	2.5
Mixed ownership organizations without foreign participation	6 183.8	2.6
Mixed ownership organizations with foreign participation	492.2	0.2
Property of foreign organizations	135.5	0.1

*Source:* Statistical Bulletin "Housing Stock of the Republic of Belarus in 2017", National Committee for Statistics of the Republic of Belarus, Minsk, 2018, p. 7.

According to this data, at the end of 2017, 227,440,400 m<sup>2</sup> of housing - 88.70 per cent of the country's housing stock - was

<sup>20</sup> This date was established by the Decree of the President of the Republic of Belarus No. 563 dated 16 December 2013 "On Certain Issues of Legal Regulation in Housing Relations".



owned by citizens. A further 6,099,000 m<sup>2</sup> - 2.38 per cent of the housing stock - were owned by housing cooperatives and housing construction cooperatives.

The legislation protects the property rights of owners and other land users when the State requisitions land plots.<sup>21</sup> When the land plot accommodates real estate belonging to citizens or organizations, they must be offered the following options to secure property rights:

- Acquisition of a replacement property, with monetary compensation when the market price of the replacement is lower than the market price of the original property. The total floor area of the new property must not be smaller than that of the original property and in any case must not be smaller than 15 m<sup>2</sup> per household member including the owner;
- Monetary compensation for the property lost at market price – however, this compensation cannot be less than the construction price of an equal-value property.

The owner losing their residence must additionally be offered:

- Construction or acquisition of a property with outbuildings and planted vegetation equal in amenities and floor area to the property lost;
- Transfer and rebuilding of the property, outbuildings and planted vegetation about to be lost.

If the requisitioned property is located in the City of Minsk, the Minsk City Executive Committee must also offer the option of acquiring, out of town and without an auction, land for the construction of a residential house in any other settlement of Belarus. Should the owner accept this option, the Minsk City Executive Committee will ask for a land allocation from the local executive committee of the relevant population centre.

A decision on requisition of a land plot may not be made without realization of the real estate owner's property rights. The period between the local executive committee's decision on the requisition and enacting it must be at least 3 months and can be appealed within 2 months. The period for realization of the owners' property rights may not exceed 2 years from the date of the decision. Upon expiration of this period, the decision on requisition of the land plot is considered void.

### *Condominiums and ownership of common assets in multi-unit residential buildings*

The legislation of the Republic of Belarus does not use the term "condominium" when referring to multi-unit residential buildings and non-residential premises owned by two or

<sup>21</sup> Decree of the President of the Republic of Belarus No. 58 dated 2 February 2009, "On Certain Measures for the Protection of Property Rights in Taking Land Plots for State Needs" (with amendments and agenda); Guidelines on the Procedures of Realizing the Property Rights of Citizens and Organizations when Taking Their Land Plots (approved by the Decree of the President of the Republic of Belarus No. 58 dated 2 February 2009).

more owners. Such multi-unit houses are called "joint house-holdership". Joint house-holdership occurs when property rights for real estate assets, apartments and non-residential premises, located in one residential building are owned by two or more owners.

According to the Civil Code, apartment owners in multi-unit buildings jointly own common property in the building via joint house-holdership. The Housing Code also considers owners of non-residential premises in multi-unit residential buildings as having joint shared ownership in the common property of the joint house-holdership.

In general, the Republic of Belarus' provisions on ownership rights to common property in multi-unit residential buildings are like those of other countries. One of the distinguishing features is that the Republic's legislation does not consider the land on which a multi-unit residential building is built as part of the owners' common property.

### *Relation of housing ownership forms to property rights to land plots*

According to the Land Code, land users can have the following rights:

- State and private property rights, as well as property rights of foreign states or international organizations
- Lifetime ownership with hereditary succession
- Permanent use without a pre-set term
- Temporary use
- Lease or sublease.

Land for construction and maintenance of a single-family house, or maintenance of an apartment and a townhouse, may be provided to citizens:

- As private property
- Based on lifetime ownership with hereditary succession in cases identified by the President when land is granted without an auction.

Land owned by the state may be leased for construction or maintenance of permanent structures, buildings or modules. The lease period must not be shorter than a reasonable construction period, given the service life of the structure built.

Land can be permanently provided to legal bodies for the construction of non-upscale multi-unit residential buildings, maintenance and service of multi-unit residential buildings, construction or maintenance of dormitories, garages, and car parks.

### Number of land plots registered as sites for residential buildings

According to the State Committee for Property, at the end of 2017 the Real Estate Registry had State ownership rights registered for 1,166,899 land plots as sites for residential buildings - 46.3 per cent of the total number available for that purpose. The area of privately-owned land plots with residential buildings is 188,897 hectares - 14.1 per cent of the total area of land plots for residential buildings.

According to the Land Code, one of the main principles of land relations is unity of fate of a land plot and the permanent structures upon it. Therefore, privately-owned land plots may be disposed of only with their permanent structures, as well as unfinished or abandoned permanent structures. Transfer of privately-owned land plots provided for construction or maintenance of permanent structures is prohibited, unless their owners have documents certifying ownership of the permanent structures on them, or otherwise specified by the President.

Privately-owned land plots with residential buildings, townhouses or other permanent structures may be leased only with these permanent structures, only for their designated use, and only with documents certifying the title to these assets.

The right to land plots rented by citizens who have paid to enter into a lease agreement, may not be changed to lifetime ownership with hereditary succession of land plots designated for construction or maintenance of residential buildings. The exception to this are the land plots owned by citizens registered in need of improved housing conditions.

### Management, maintenance and repairs of multi-unit residential buildings

#### *Housing stock management*

According to the Housing Code, housing stock management depends on the form of ownership:

- The national housing stock is managed by state governance bodies, and other state-owned organizations accountable to the Government;
- Community housing stock is managed by local executive and regulatory authorities within their terms of reference;
- Private housing stock is managed directly by the owners of residential premises, housing cooperatives and housing construction cooperatives, owners' associations,

organizations managing common property, or by authorized bodies in cases stipulated in the Housing Code.

The current Housing Code entitles owners of residential premises, housing cooperatives and housing construction cooperatives, owners' associations, and other authorized bodies to enter into common property management agreements with organizations regardless of the form of ownership. However, the new revision of the Housing Code only gives housing and housing construction cooperatives the right to engage particular service organizations. These include organizations operating and maintaining the housing stock or offering housing and utility services, or organizations providing housing accounts services, utility service payments, and payments for use of residential premises.

Therefore, the expected new revision of the Housing Code formally sets restrictions defined in Presidential Decrees and implemented in multi-unit residential building management practice. With these restrictions in effect, private organizations will not be able to manage common property in multi-unit residential buildings, while owners' associations will not be able to engage professional organizations to carry out multi-unit building managing functions.

#### *Owners' expenditures for the maintenance of common property in a multi-unit residential building*

Legally, a joint house-holdership participant must pay common property operating costs such as maintenance, service, routine and capital repairs, proportionate to their share of property ownership. Measures can be taken against owners in multi-unit residential buildings who do not pay maintenance costs. The unpaid costs are collected by an enforcement inscription by a notary, or legal action if the indebtedness is disputed. Furthermore, there is a procedure for eviction if the owner fails to pay utility service payments for over six months or infringes on the rights of other residents, rendering co-residence impossible. This involves a written warning from the local executive body, and, if the behaviour persists, the local executive body can file a lawsuit seeking enforced transfer of the premises.

If the court upholds the lawsuit, the offender must transfer the residential premises within one year of judgement. If the offender fully repays the arrears and rectifies other violations within the year, the court enforcement action is dismissed. If this is not done, and the offender fails to sell their premises within a year of the judgement, the local executive body can file a lawsuit enforcing the sale. Should the court find in favour, this will be done through a public auction. The offender will be transferred by the local executive body to an inferior residential unit with a smaller floor area which may be in a different population centre. The owner is paid the price of the sold residential premises, minus the cost of the new

residential unit, costs involved in selling the old residential premises, and repaid arrears.

The law does not entitle owners of premises or owners' organizations to demand an owner sell their residential premises. The joint house-holdership participants, or their association or cooperative, must engage the local executive body to do this.

The payment for common property management is determined by the legal rules for basic housing and utility services. According to Decree No. 72 (2011) of the President:

- Tariffs for gas, electricity, and heating are established by the Government;
- Tariffs for technical maintenance of multi-unit residential buildings, water supply, sewerage, and solid waste management services, are established by oblast executive committees, or, in the city of Minsk, by the Minsk City executive committee.

The procedure for computing payments for housing and utility services is unified for the entire population and is not affected by whether the housing is private or state-owned. It is also unaffected by who manages the multi-unit residential building, whether a state-owned managing organization or an organization of owners.

There are no established tariffs set by state-owned organizations for the common property management service in a multi-unit residential building. The costs of state-owned managing bodies are taken from payments for housing and utility services such as technical maintenance, maintenance of lifts, and solid waste management. General meetings of owners' associations and cooperatives establish the remuneration for the chairperson of the board, who acts as a general manager.

Within the current multi-unit residential building management system, owners' payments for maintenance and repairs of common property are regulated by the state. The size of payments is not affected by the technical condition of the common property or the building's need for capital repairs and upgrading. Even if the multi-unit building is managed by an owners' association, the joint house-holdership participants are restricted in deciding payments for common property maintenance, repairs and upgrades. Owners associations and cooperatives can decide to use additional contributions to cover the difference between the actual expenditure on common property maintenance and repairs and owners' payments based on established tariffs. Losses incurred by state-owned managing organizations due to subsidized tariffs must be compensated by the budget.

Before 1 March 2019, subsidized tariffs were set for the standard floor area of an apartment in a multi-unit residential building. Payments for apartments exceeding the standard area were based on economically justified tariffs, established

by oblast executive committees and Minsk City Executive Committee. From 1 March 2019, subsidized tariffs will apply to the entire area of a residential unit if at least one person is registered as resident, even if they are not the owner or the owner's family member. Subsidized tariffs are therefore applied not only to standard-exceeding apartments occupied by their owners, but also to apartments leased by owners to tenants registered as residents. According to the new rules, economically justified tariffs will only apply to residential premises with no registered dwellers. High-income households are the primary beneficiaries of the new rules.

The Government takes measures to centralize the system of public payments for housing services. The State Programme "Comfortable Housing and Friendly Environment" for 2016-2020, plans the implementation of a country-wide Informational Payment System for Housing and Utility Services (HUS), as well as other services.

The first Payment Processing and Reference Centre using the automated information system AIS Raschyot ZhKU (HUS Payment Processing) was established in Minsk. By the end of 2018, according to the Ministry of Housing and Utility Services, 96 per cent of owners' associations and cooperatives were connected to the HUS Payment Processing AIS. The switch-over of owners' associations and cooperatives to the automated system restrains growth of the service price. The Ministry of Housing and Utility Services is expected to pass legislation regulating tariffs charged by payment processing and reference centres when processing payments for housing and utility services.<sup>22</sup>

### *Capital repairs and upgrades of existing housing stock including improving energy efficiency*

Capital repairs of common property in multi-unit residential buildings are mainly centralized. Capital repairs are performed in five-year programmes, approved by a district or city executive committee, or the local administration in a city district. For each year of the programme a capital repairs schedule is prepared, taking into account funds available for implementation.

Capital repairs funding is provided from local budgets, plus the capital repair contributions of owners of residential and non-residential premises, tenants of residential premises and members of housing cooperatives. Owners' capital repair payments are paid to special accounts opened by local executive bodies. Annual budgets allocate funds to finance-approved capital repair projects.

<sup>22</sup> Alexander Terekhov, Minister of Housing and Utility Services, "Minsk Experience to be Disseminated Country-wide by Year-end", Minsk, 26 March 2018. Available at [http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase\\_id=713521](http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase_id=713521)

The National Programme “Comfortable Housing and Friendly Environment” for 2016-2020, aims for an annual growth rate for capital repairs of at least 3 per cent of housing stock floor area. This means capital repairs would be performed on residential buildings every 35 years. The planned target for capital repairs within the five-year programme is 14,600 million m<sup>2</sup>. The annual volume of capital repairs to the residential building floor area should increase from 2,300,000 m<sup>2</sup> in 2016 to 3,600 million in 2020. The city of Minsk has the largest share of planned capital repairs (see table 6).

**TABLE 6**

**Planned targets for capital repairs of residential buildings in Minsk, 2016-2020**

Indicators	Total					
	2016-2020	2016	2017	2018	2019	2020
Total floor area of capitally repaired residential buildings, thousand m <sup>2</sup>	4 410	695	785	875	965	1 090
Share in total floor area of residential buildings (33,200,000 m <sup>2</sup> ), percentage	13.28	2.09	2.36	2.64	2.91	3.28
Share in the floor area of buildings in need of capital repairs (15,890,000 m <sup>2</sup> ), percentage	27.75	4.37	4.94	5.51	6.07	6.86

Source: SOO GO “Minsk City Housing Services”

To achieve the capital repair planned targets the National Programme needs to involve owners in the property-management process, including upgrading and continual increase of their share of contributions to the capital repairs funding pool. This five-year Programme will allocate 2,877,480 Belarusian roubles (BYR) for capital repairs, of which citizen’s contributions should be BYR 943,390 million (32.79 per cent). The citizens’ share is expected to increase from 29.8 per cent in 2016, to 38.07 per cent in 2020.

The National Programme “Comfortable Housing and Friendly Environment” for 2016-2020 does not provide housing stock thermal upgrade works. The Ministry of Housing and Utilities is discussing the development of a special long-term thermal upgrade programme, probably by attracting funding from the European Bank for Reconstruction and Development (EBRD).<sup>23</sup>

<sup>23</sup> Ibid.

### *The role of public and private sectors in the management of multi-unit residential buildings*

With its large share of privately-owned premises, the State is very deeply involved in management, servicing and repairs of multi-unit housing stock. In addition to the usual overseeing of the technical status of housing stock,<sup>24</sup> in Belarus the State is also represented by local executive authorities performing the following functions:

- Coordinating and supervising organizations managing common property in multi-unit residential buildings, including owners’ associations and housing cooperatives;<sup>25</sup>
- Appointing a State-owned organization to manage a multi-unit residential building when owners of premises fail to select their own managing organization, or when their governance bodies fail to meet satisfactory work standards;<sup>26</sup>
- Proposing and endorsing candidates for Chairperson of owners’ associations and housing cooperatives;<sup>27</sup>
- Determining terms of management agreements between premises owners in a multi-unit building and the State authority procuring housing and utility services, as well as establishing tariffs for these services;
- Organizing capital repairs in multi-unit residential buildings by State procurement authorities and providing budgetary funds for the larger share of capital repairs costs. Owners’ and tenants’ contributions to these repairs are transferred to the account of the housing and utility service State procurement authority, or a local executive body. The amount is established by the local executive body and may be used to fund repairs of any buildings included in their approved capital repairs programme.

Public organizations take a dominant position in managing and maintaining multi-unit buildings. Privately-owned organizations are unable to manage multi-unit buildings and are only allowed a limited set of management and maintenance works if selected through a bidding procedure by the State authority procuring housing and utility services.

Associations of owners, the creation of which was considered a priority, are increasingly ceding their common property management and maintenance functions to State-owned bodies. The importance of owners’ associations is decreasing in procuring management and maintenance services, as well as works for multi-unit residential buildings.

<sup>24</sup> Local executive bodies supervise operation (management, technical maintenance and repairs) of the housing stock (Articles 8, 9 and 168 of the Housing Code).

<sup>25</sup> Housing Code, Articles 174, 185, 206, and 209.

<sup>26</sup> Housing Code, Article 175, part 3.

<sup>27</sup> Housing Code, Article 206.

## Housing construction

### *Housing norms and standards, including energy efficiency standards applicable to the construction of new housing*

Technical norms establishing energy-efficiency requirements for buildings under construction are regularly reviewed. Design norms were amended in 2010 to enhance the requirements for heat-transfer resistance in cladding structures. A technical regulation, “Energy efficiency of buildings” was drafted in which a building’s energy-efficiency class is determined based on its energy consumption for heating, ventilation, hot water supply. Additionally, electric power supply and air conditioning are taken into account, as well as use of renewable and secondary energy sources.

Construction sector technical regulations aim to ensure the stability of buildings and structures, fire safety, compliance with hygiene and epidemiological requirements, health and environmental protection, protection against noise and vibration, energy savings and heat insulation, as well as safety during maintenance. These regulations are in line with the requirements of the World Trade Organization (WTO) multilateral trading system, and the Geneva UN Charter on Sustainable Housing.

Since 2010 (when the Single Customs Union became operational), Belarus has taken steps to harmonize its national legislation and bring it in line with the general technical regulations of the Eurasian Economic Union (EAEU).<sup>28</sup> Now, in 2018, Belarus has fully adopted the Technical Regulations on construction and architecture, including Technical Regulations on safety of explosive materials and related products, of lifts, low-voltage equipment, as well as safety of machinery and equipment.<sup>29</sup>

The country has worked on the direct introduction of international (ISO) and European standards as state standards of the Republic of Belarus. Since 1 January 2010 the European norms of design and construction, 58 technical codes identical to the European codes have been implemented in the Republic of Belarus and the European standard 851

<sup>28</sup> EAEU was founded on the basis of the Treaty on the Eurasian Economic Union, entered into by the Republic of Belarus, Kazakhstan and the Russian Federation on 29 May 2014. EAEU started its activity on 1 January 2015, and new members acceded to it in 2015 – the Republic of Armenia and Kyrgyzstan. EAEU encompasses the Customs Union, which has been operational since 1 January 2010 and which includes Belarus, Kazakhstan and the Russian Federation. Thus, the institution seeks to create a single economic space. A brief description of the Eurasian Customs Union can be found in the UNECE document (2015) “Regulatory and procedural barriers to trade in Kyrgyzstan: needs assessment” at: <http://www.unecce.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>

<sup>29</sup> General Technical Regulations adopted at the EAEU level are directly applicable in the member states (Article 52 of the Treaty on the Eurasian Economic Union). These regulations cover the general list of products subjects to mandatory technical rules and are compliant with the WTO multilateral trading system.

has been adopted as a national standard. This contributes to attracting foreign investors, as well as to the expansion of exports of Belarusian construction products and services to Eastern and Central Europe.

Standards, including standards in the field of construction and design, are developed by the relevant technical committees on standardization, as well as the technical committee on energy efficiency, operating under the guidance of the Belarusian State Institute for Standardization and Certification, and the technical committee “Means of ensuring fire safety and firefighting. Requirements in the field of fire safety”, which is led by the Research Institute of Fire Safety and Problems of Emergency Situations.

Standards are developed in accordance with annual standardization plans, which are prepared by the state unitary enterprise “Stroytekhnorm” and approved by the Ministry of Architecture and Construction. These plans are in line with the state development goals and priorities for the period 2016-2020,<sup>30</sup> as formulated in the Programme for the Development of the System of Technical Norm-Setting, Standardization and Conformity Confirmation in the Field of Energy Saving for the period 2016-2020, the State Programme on Social Protection and Promotion of Employment for 2016-2020 (sub-programme “Barrier-free environment for the disabled and physically handicapped”); the Package of Measures for 2016-2020 to stimulate the introduction of advanced methodologies and modern international quality management systems, standardization of quality techniques and effective management, and other documents. The annual plans are also in conformity with the activities carried out by the Eurasian Economic Union (EAEU) in the field of standardization. This activity involves the development of common standards by EAEU member states based on the results of consultations, during which each of the states (based on its capabilities) undertakes to develop common standards. The implementation of this task also requires to modernize interstate regional standards (GOST).<sup>31</sup>

Noteworthy is the implementation of regulatory impact predictive assessment as a key element in the emerging system of technical regulation.<sup>32</sup> The predictive regulatory impact assessment involves a systematic analysis of the impact and possible consequences of planned technical

<sup>30</sup> The plans of the Republican unitary enterprise “Stroytekhnorm” are based on the national standardization plans formulated by BelGISS and approved by Gosstandart. The legal framework for standardization activity is provided by the Law No. 262-Z dated 5 January 2004 “On technical norm-setting and standardization,” Resolution No. 53 dated 7 July 2017 of the State Committee for standardization “On the approval of rules for developing interstate standards,” and Resolution No. 59 dated 12 July 2017 “On the approval of rules for developing the state standards of the Republic of Belarus.”

<sup>31</sup> GOST Standards are developed by the Eurasian Council for Standardization, Metrology and Certification of the Commonwealth of Independent States (CIS).

<sup>32</sup> Resolution of the Council of Minister of the Republic of Belarus No. 16 dated 10 January 2018.

regulatory actions on the country's obligations in terms of compliance with the rules of the multilateral trading system, protection of national interests, inclusion of standards into the state register (i.e., whether new regulatory requirements require adoption of international and regional standards) and harmonization obligations within the Eurasian Economic Union.

### *Institutional framework for quality assurance in housing construction*

The Republic of Belarus has a well-developed system of technical regulation, standardization and in compliance with the statutory requirements relating to the processes and products of the construction sector.

In 2018, the certification of services in the field of construction and construction materials was carried out by 143 conformity assessment bodies, most of which were government agencies.<sup>33</sup> All of them were accredited by Belarusian State Centre for Accreditation (BSCA) in accordance with the ISO/IEC standard "General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies" (ISO/IEC 17011:2004).<sup>34</sup> However, the results of conformity assessment carried out by these bodies are not recognized in the EU and beyond due to the fact that BSCA has not yet signed the Multilateral Recognition Agreement with the European co-operation for Accreditation (EA) and the Mutual Recognition Agreement with the International Laboratory Accreditation Cooperation.

In 2018, BSCA, an associate member of EA and a member of the International Accreditation Forum, completed preparations for signing a bilateral agreement with EA participants in the following areas: testing (ISO /IEC 17025), calibration (ISO/IEC 17025), personnel certification (ISO/IEC 17024), product certification (ISO/IEC 17065) and management system certification (ISO/IEC 17021-1).<sup>35</sup> The signing of this agreement will allow BSCA and EA participants to establish mutual trust regarding relevant accreditation systems and accredited conformity assessment activities.

### *Administrative barriers to construction*

Belarus ranks 22nd in the World Bank Doing Business Country Rating on the criteria of obtaining construction permits (2017).

Presidential Decree No. 7 dated 23 November 2017 "On Entrepreneurship Development" aims to improve and optimize the legal regulation of the construction industry.

<sup>33</sup> An updated list of conformity assessment bodies can be found at: [www.bsca.by](http://www.bsca.by). The accreditation procedure takes 90 days and, in case of non-compliance may be extended up to 150 days.

<sup>34</sup> The legal framework for the conformity assessment system is furnished by the Law No. 262-Z dated 5 January 2004 "On technical norm-setting and standardization" and Law No. 437-Z dated 24 October 2016 "On the assessment of conformity to technical requirements and accreditation of conformity assessment bodies."

<sup>35</sup> Two areas are not covered yet – certification of inspections and medical check-ups.

There is an established notification procedure for informing state construction supervision authorities of commencement of construction and mounting works. The period of reservation of funds on escrow accounts (in the event that such form of securing obligations is chosen) has been reduced to 2 years, and stands at 1.5 per cent of the cost of completed works at residential, social and cultural and public utilities construction projects. This sum is reserved in order to remedy the results of construction, special provisions, or works of improper quality. The procurement procedure for the construction of facilities using customers' own funds has been cancelled. The requirement that the developer should have a compliance certificate for development of a pre-investment preliminary design has been also been cancelled.

A serious barrier to housing construction is the obligation on private developers to relocate residents from substandard housing located on land plots on which construction will be made. There are limited land plots for housing construction within urban settlement boundaries, especially the city of Minsk. Land plots free from these obligations are provided without auction sales only to state-owned developers and integrated home-building enterprises to construct social housing. Private developers can therefore only acquire land plots with substandard buildings, at auction, with the relocation obligation. If this relocation is accompanied by court litigation, and not completed within 2 years, the decision to provide a land plot is annulled. Meanwhile, the developer forfeits all funds invested in resident relocation.

According to industry representatives, another barrier to innovative construction systems and technologies is the mandatory requirement for standard designs in housing construction with state support. A further barrier to these construction projects is the mandatory use of products manufactured by integrated home-building enterprises.

### *Public and private construction*

According to statistical data<sup>36</sup> the volume of commissioned dwellings increased steadily from 2005 to 2010. The latter was the year when the most housing was commissioned for the last decade - 6,629.9 thousand m<sup>2</sup> total floor area. In 2009-2011 alone, the annual volume of commissioned housing exceeded that of 1991 (5,392 million m<sup>2</sup>). However, the global economic crisis has negatively impacted housing construction in Belarus, and it has declined markedly since 2011. After slight increases in 2013 and 2014, the decline in housing construction continued. The volume commissioned in 2017 was only 57.2 per cent of the 2010 figure.

Most housing is built and commissioned in cities and urban-type settlements - from 66 per cent to 78 per cent of the

<sup>36</sup> Republic of Belarus, National Statistics Committee, Statistical Compendium "Housing construction in the Republic of Belarus," Minsk, 2014, p. 16 and Statistical Yearbook of the Republic of Belarus, Minsk, p. 330.

total housing floor area commissioned annually. For example, 72.09 per cent of the total housing commissioned in 2016 was in urban areas.

The share of single-family houses in the total floor area of commissioned housing varies around 30-37 per cent. Only in 2015, 2016 and 2017 did it increase to 46.6 per cent, 43.1 per cent and 46.7 per cent of the total floor area of commissioned housing.

The period from 2009 to 2014 is characterized by a high share of state-owned housing - from 44 per cent to 55 per cent. Thus, the maximum rate of commissioning (6,629.9 thousand m<sup>2</sup>) in 2010 was matched by the highest share of public housing (55.1 per cent). In the following years, the share of state-owned housing significantly decreased, standing at 28.0 per cent in 2017.

Housing construction by housing cooperatives also declined between 2010 and 2016. Thus, while in 2010 cooperatives built 44.3 thousand apartments (52 per cent of apartments built), in 2016 only 3.2 thousand apartments (6.5 per cent)<sup>37</sup> were built. The reason for this is the failure of cooperatives to meet construction deadlines due to cooperative members failing to pay fixed contributions in time.

Of the 49.3 thousand apartments built in 2016, one-room apartments accounted for 28.6 per cent, two-room apartments for 36.1 per cent, three-room apartments for 21.8 per cent, and four-room and larger apartments for 13.5 per cent. The share of one-room apartments increased from 20.9 per cent in 2010 to 28.6 per cent in 2016, which apparently reflects increased demand for small apartments due to decreased purchasing power.

The average size of new housing increased from 78.3 m<sup>2</sup> in 2010 to 87.0 m<sup>2</sup> of total floor space in 2016. This was due to an increase in the floor space of single-family houses, which was 147.8 m<sup>2</sup> in 2010, and 164.8 m<sup>2</sup> in 2016.

The number of apartments built per 1,000 inhabitants decreased to 49.3 in 2016, compared to 7.3 in 2014.

A significant share of commissioned residential buildings are buildings with brick and wood walls - 65.92 per cent and 20.94 per cent in 2016, and 66.72 per cent and 22.92 per cent in 2017. This also accounts for the significant contribution of private construction to the number of residential buildings under construction.

### Improving the energy efficiency of residential buildings

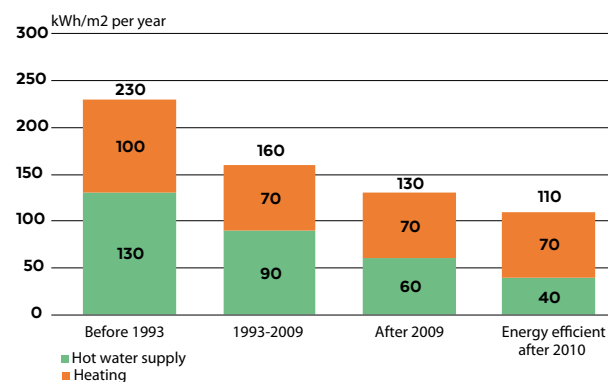
Changes in the regulatory requirements for building energy efficiency have resulted in a reduction in the specific annual consumption of heating and hot water by over 50 per cent for buildings commissioned after 2010, compared to

<sup>37</sup> Republic of Belarus, National Statistics Committee, *Statistical Yearbook of the Republic of Belarus 2017*.

buildings constructed before 1993 (see figure 7). This is mostly accounted for by improvements to thermal protection of building envelopes. Energy consumption for hot water supply has remained unchanged since the 1990s, and is 70 kWh/m<sup>2</sup> per year.

**FIGURE 7**

**Change in specific annual heat consumption for heating and hot water supply of residential buildings based on the year of commissioning, kWh/m<sup>2</sup> per year**



*Source:* State-owned enterprise "Institute of Housing – NIPTIS named after S. Atayev".

National experts point out deficiencies in regulating energy efficiency of buildings, due to lack of a full-fledged system to collect and process information on actual energy consumption of residential buildings. Such a system could confirm buildings meet regulatory requirements, as well as energy-efficiency compliance of materials and products.<sup>38</sup>

The Republic of Belarus has experience in designing and constructing experimental multi-unit residential buildings much more energy efficient than currently in general construction. The first such building was built in Minsk in 2007, and then another in Grodno. Since 2009, the Comprehensive Programme for the Design, Construction and Reconstruction of Energy-efficient Residential Buildings for 2009-2010 and until 2020, approved by Resolution of the Council of Ministers No. 706 of 1 June 2009, has been implemented. As part of this, the leading design institutes of the country have designed and constructed several "second generation" energy-efficient buildings (energy efficiency class A+) using renewable

<sup>38</sup> Alexander Grebenkov, Head of the UNDP-GEF project on improving energy efficiency of residential buildings in Belarus, "Results of the UNDP-GEF project on improving energy efficiency of residential buildings in the Republic of Belarus", presented at the seminar "Sustainable Housing and Urban Planning: National Priorities of the Republic of Belarus and World Best Practices", Grodno, Belarus, 31 May – 1 June 2018.

energy technologies and reducing energy consumption not only for heating, but also for hot water supply.<sup>39</sup>

The use of energy-efficient design solutions in pilot buildings increases the cost of construction of 1 m<sup>2</sup> of housing floor area from 8 to 20 per cent. However, it reduces the annual specific energy consumption for heating and ventilation to 15-25 kWh/m<sup>2</sup> (compared to over 40 kWh/m<sup>2</sup> in conventional new buildings) and for hot water supply to 20-40 kWh/m<sup>2</sup> (usual rate for new buildings - 80-90 kWh/m<sup>2</sup>). The annual heat consumption per apartment is reduced to 5 MWh. For pilot houses, estimated heat savings of up to 5,000 tons of oil-equivalent over the building's life and reductions of 21,400 tons of CO<sub>2</sub>-equivalent greenhouse gas emissions by 2030 are achieved directly by the three pilot buildings alone, and by 8 million tons of CO<sub>2</sub>-equivalent as a combined indirect impact.<sup>40</sup>

Private initiatives are also emerging to create new generation of energy-efficient buildings.

Experience in the operation of experimental energy-efficient buildings has shown that, with significant savings in heat energy, electricity consumption increases by 20-30 per cent. With the current low tariffs for heat, the reduction of residents' consumption costs does not sufficiently compensate for the increase in electricity costs, the tariff for which is less subsidized than the heating tariff. In one experimental energy-efficient houses the residents decided to disconnect the energy-saving engineering systems of the building. Therefore, to fully tap energy efficiency potential, heat tariffs for residential consumers need to be increased to an economically justified level, but to residents need raised awareness of energy saving and efficiency issues.

In addition, there is a lack of incentive for local producers to make innovative energy-saving equipment. There is also a shortage of qualified staff to maintain the new energy-saving systems.

With changes in tariff policy, as well as growth in electricity production and a decrease in its costs after the commissioning of a nuclear power plant, increased electricity use in building heating and hot water supply systems can be expected. This will contribute to construction cost reduction as there will be no need to connect heating networks and install individual heating plants for the building. It will also contribute to

<sup>39</sup> Leonid Danilevsky, First Deputy Director of the State-owned enterprise "Institute of Housing – NIPTIS named after S. Atayev", "Basic principles of the creation of energy efficient residential buildings", presented at the seminar "Sustainable Housing and Urban Planning: National Priorities of the Republic of Belarus and World Best Practices", Grodno, Belarus, 31 May – 1 June 2018.

<sup>40</sup> Alexander Grebenkov, Head of the UNDP-GEF project on improving energy efficiency of residential buildings in Belarus. Presentation "Results of the UNDP-GEF project on improving energy efficiency of residential buildings in the Republic of Belarus". Seminar "Sustainable Housing and Urban Planning: National Priorities of the Republic of Belarus and World Best Practices", 31 May – 1 June 2018, Grodno, Belarus.

new housing high energy efficiency through widespread implementation of innovative energy-saving equipment.

### *Housing construction programmes*

Housing construction with state support is carried out within the framework of various state programmes (see Sub-section "Housing Policy"). The most recent state programme is "The Programme of Housing Construction 2020".

The goal of Housing Construction 2020 is to improve the provision of affordable, quality housing. The target indicator of the Programme is "the level of housing provision", which it plans to increase from 26.5 m<sup>2</sup> per person<sup>41</sup> in 2016 to 27.3 m<sup>2</sup> in 2020. The aim is to create conditions which meet residents' demand for affordable, comfortable housing according to their individual needs and financial capabilities. It includes two subprogrammes: "Residential construction" and "Housing infrastructure".

The "Residential construction" subprogramme ensures the construction of the planned volume of housing in 2016-2020 - 18 million m<sup>2</sup>, 4 million m<sup>2</sup> in 2016 and 3.5 million m<sup>2</sup> annually from 2017 to 2020. Targets are adjusted annually.

This objective is expected to be achieved through the following measures:

#### **1. Reduction of costs for state-supported residential house construction.**

Housing construction for citizens registered as needing better housing conditions and eligible for state support will be funded through proposed preferential bank loans. This will be achieved predominantly by using cost-effective projects with large-panelled houses.

The planned indicator is average cost of state-support constructed housing (excluding individual developers) by 2020, in the range of BYR 1,055.9/m<sup>2</sup>. However, according to local experts, the planned reduction in housing cost deters the introduction of new technologies and equipment which would improve housing quality and reduce operational energy consumption.

Housing construction cost savings will be made by limiting growth in construction material cost and using domestic building materials, as well as use of standard designs and projects recommended for reuse. In addition, land for residential house construction will be allocated mainly in areas with existing engineering and transport infrastructure, or as close as possible, and there will be improvements in cost regulation, use of resources, and reduction of housing construction time.

Under the Programme, local executive bodies approve action plans for development of promising sites for industrial

<sup>41</sup> As amended by the Resolution of the Council of Ministers of the Republic of Belarus No. 984 of 29 December 2018.



housing construction to meet annual targets, as well as providing labour force for large-panel housing construction firms.<sup>42</sup> Land plots for residential development are allocated to house-building enterprises without auction, providing an advantage over commercial developers.

### 2. Increasing the share of individual housing construction in the total volume of housing construction.

In 2020, individual housing construction should make up 40 per cent of total housing construction. The plan is to commission 6,481 thousand m<sup>2</sup> of individual houses in 2016-2020.

The volume of individual housing construction will be increased by allocating land plots to people registered as needing better housing conditions from unused land, or from territorial reserves of rural settlements located within 10-15 km of large and medium-sized cities. The capacity of existing rural engineering and transport infrastructure will be used to meet new development needs. Finally, the production of new modular structures for individual housing construction will contribute to higher rates of construction and lower cost.

### 3. Growth of non-public funding of housing construction.

According to the Programme, at least 80 per cent of annual housing construction financing should come from off-budget sources. In order to encourage people to invest their own funds in housing construction, the amount of preferential lending will be limited, and the categories of people entitled to state support to improve housing conditions will be streamlined.

In 2016-2018, to additionally finance housing construction, the plan was to provide concessional construction loans on terms 50 per cent lower than the refinancing rate of the National Bank, approved by the Government. No such loans are planned for the following years.

In 2017, Decree of the President No. 240 of 4 July, 2017, "On state support of citizens in the construction (reconstruction) of residential premises" was adopted, which expanded the types of state support for citizens in the construction or reconstruction of housing.

Conditions for the development of mortgage lending and housing construction savings are planned to be in place by 2020. The construction of commercially-used residential premises will continue, funded through national and local budgets and through private investments in public-private partnerships. In future, it is expected that the person who has been provided with a land plot will reimburse the costs

<sup>42</sup> Measures for the development of promising sites for industrial housing construction by large-panel housing construction enterprises in Minsk were approved by the Decision of the Minsk Municipal Executive Committee No. 1838 dated 1 June 2016.

of construction, design, and the connection of distribution engineering and transport infrastructure services.

The Programme mentions the possibility of developing housing construction for rent, regardless of form of ownership. This will require a mechanism for providing tax benefits and other preferences to developers, and individuals registered as needing better housing conditions will have to be compensated by the state for renting costs. However, the Programme does not provide any practical measures to implement this proposal.

### 4. Ensuring energy and resource savings in housing construction.

In 2016-2020, 8,675.6 thousand m<sup>2</sup> of energy-efficient housing is planned to be commissioned. By 2020, all multi-unit buildings are planned to be built in an energy-efficient manner, reducing operating costs. Meanwhile, 20 per cent of all energy-efficient residential buildings will have ratings of high energy-efficiency classes A+ and A.

The sub-programme "Housing Infrastructure" aims to ensure construction of engineering and transport infrastructure for residential buildings, to match the planned commissioned housing area.

It is planned to achieve this goal through ensuring the construction of engineering and transport infrastructure is carried out in advance of residential building construction.

The target indicators stipulate that the cost of this new engineering and transport infrastructure, funded from all sources of financing, should be BYR 190.5 per 1 m<sup>2</sup> of housing area by 2020.

Off-budget sources of financing are planned to be used for design and build of this engineering and transport infrastructure, reimbursed by the people to whom the land plots have been provided. Average national 'cost per unit' standards will be established by types of projects. The funds received from reimbursement of costs will be used for construction of new infrastructure facilities for residential buildings.

### 5. Providing individual housing construction areas with the minimum necessary engineering and transport infrastructure, including using public-private partnership arrangements.

The planned indicator of this sub-programme is that by 2020, 100 per cent of plots allocated for individual housing construction will have the minimum necessary engineering and transport infrastructure, power supply and water supply networks, as well as access roads.

This will be achieved by financing the construction of engineering and transport infrastructure legal bodies, including public-private partnerships.

**6. In order to minimize the costs of creating engineering and transport infrastructure, land plots for individual housing construction will be allocated as close as possible to residential areas.**

According to the Ministry of Architecture and Construction, as a result of the implementation of the Programme in 2016 and 2017, the consolidated target indicator - the level of housing in m<sup>2</sup> per person - exceeds planned values. Other indicators do likewise, such as total volume of commissioned housing funded from all financial sources, and the commissioning of housing built with state support for citizens in need of better housing conditions. The actual costs have been lower than planned for an average 1 m<sup>2</sup> of housing built with state support, and also of engineering infrastructure. However, the indicator “the share of land plots for individual housing construction provided with engineering and transport infrastructure” lags behind the planned value.

## Infrastructure and utility services

### *Water, sewage, heating systems and electricity*

According to the Ministry of Housing and Utilities in 2018, 92.8 per cent of the country’s population benefited from a centralised water supply, and 90.5 per cent of the population was being supplied with potable water. The share of the urban population benefiting from a centralised water supply is considerably larger than that of the rural population. In rural areas, a larger portion of agro-towns, where half the population is rural, has access to centralised water supply than in villages.

The National Programme “Comfortable Housing and Friendly Environment” for 2016-2020 and the Programme “Clean Water”, planned to deliver centralised potable water to everyone by 2020.<sup>43</sup> However, the Concept Paper on Improvement and Development of Housing and Utility Services until 2025,<sup>44</sup> postponed the target to 2025, while setting 93.4 per cent as the new target for 2020.

Water extracted from underground sources generally meets the requirements for potable water, except for its high iron and low fluorine content. Treatment of subsurface waters by utility enterprises focusses on removal of excess iron, but the high iron content remains the main potable water quality problem. In rural areas, especially in small villages and on farms, the population often uses communal or private water wells or boreholes. The quality of such water does not always meet sanitary standards.

<sup>43</sup> National Report of the Republic of Belarus “On Implementing the Sustainable Development Agenda until 2030”, 2017, p. 36.

<sup>44</sup> The Concept Paper was approved by Resolution of the Council of Ministers of the Republic of Belarus No. 1037 dated 29 December 2017.

According to the Ministry of Housing and Utilities, on 1 January 2018, utility enterprises operated 10,259 artesian boreholes and 618 water iron-removal stations.<sup>45</sup> To provide access to potable water for the population, iron-removal stations must be built in more than 1,400 settlements. The estimated cost of this project is about BYR 550 million.

The State Investment Programme for 2019<sup>46</sup> aims to construct 2,058 iron-removal stations, funded by equal share financing from national and local budgets at a cost of BYR 50.2 million. Additionally, 7.2-million-euro worth of grants were used,<sup>47</sup> and the project is expected to attract loans. The European Bank for Reconstruction and Development, for instance, has already supported the development of the water supply sector in Vitebsk region, and will provide a 15-million-euro loan to Belarus.

The length of communal water supply lines and conduits on 1 January 2018, was 38,915.9 km, with 11,551.8 km (30 per cent) in operation for over 30 years. 4,506 km of water supply lines need to be built to ensure full population access to the centralised water supply. The estimated construction cost of these water supply lines is BYR 494.8 million.<sup>48</sup>

Access to centralised sewerage systems is not as good as to centralised water supplies. According to the Ministry of Housing and Utilities, in 2018, only 79.1 per cent of the population of Belarus had access to centralised sewerage services while 92.8 per cent had access to centralised water supply systems. The share of the urban population using centralised sewerage services is considerably larger than the rural population.

The National Programme “Comfortable Housing and Friendly Environment” for 2016-2020 aimed to provide access to centralised sewerage systems for the whole population. In order to do this, 6,242 km of sewerage networks need to be built, with an estimated cost of BYR 213.2 million.

On 1 January 2018, utility enterprises of the Republic operated 1,476 wastewater treatment facilities, including 1,210 absorption fields and only 593 artificial treatment facilities. Thirty-nine wastewater treatment facilities in cities and large rural settlements are in urgent need of major overhaul or reconstruction, estimated to cost BYR 860 million.<sup>49</sup>

<sup>45</sup> Ministry of Housing and Utilities.

<sup>46</sup> Approved by the Decree of the President of the Republic of Belarus No. 71 dated 19 February 2019.

<sup>47</sup> Alexander Terekhov, Minister of Housing and Utility Services, “Minsk Experience to be Disseminated Country-wide by Year-end”, Minsk, 26 March 2018. Available at [http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase\\_id=713521](http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase_id=713521)

<sup>48</sup> Data of the Ministry of Housing and Utilities.

<sup>49</sup> Ibid.

According to expert assessments,<sup>50</sup> the wastewater collection and treatment infrastructure is reliable, although it is becoming outdated and has excess capacity. Most communal wastewater treatment facilities built between 1970 to 1980 were not designed to remove biogenic substances such as nitrogen and phosphorus. Over the last decade, many of the old treatment facilities have been restored and new wastewater treatment facilities have been built. Under the National Programme “Clean Water”, 94 wastewater treatment facilities have been commissioned over the last 15 years. However, a significant portion continues to be inefficient, needing investment and further upgrading measures.

Slightly more than 60 per cent of Belarus residents have access to centralised heating systems. The centralised heating system consists of 3,832 communal boilers and 15,200 km of heat-supply lines.

According to the Ministry of Housing and Utilities,<sup>51</sup> some heat supply sources have a low economic and processing efficiency. These produce heat energy at a high cost due to low installed load capacity, inefficient boiler equipment, use of manual labour, and long thermal transmission distances with significant heat losses. The Ministry plans to improve the economic and processing efficiency of the heat supply system and reduce the cost of thermal energy production by:<sup>52</sup>

- Optimizing heating schemes for settlements, modernizing boiler equipment, and decommissioning worn-out and obsolete heat-generating equipment;
- Diversifying primary energy sources in the fuel mix by increasing the share of locally-sourced fuels, including renewable energy sources (RES), within the framework of the National Programme “Energy Conservation” for 2016-2020.<sup>53</sup>

From 2011 to 2015, 211 boilers with a total capacity of 444.3 MW were readjusted to use local types of fuel. As a result, the share of these local fuels in the boiler and furnace fuel mix rose to 41.1 per cent. In 2016, the total capacity of the heat-generating equipment using local fuels was 4.1 thousand MW.

From 2011 to 2015, 3,900 km of heat supply lines were replaced. As a result, the share of heat supply networks with limit-exceeding operating life reached 30 per cent, while the length of heat supply networks using pre-insulated pipelines

<sup>50</sup> Environmental Performance Reviews: Belarus. Third Review. UNECE, 2016.

<sup>51</sup> Alexander Terekhov, Minister of Housing and Utility Services, “Minsk Experience to be Disseminated Country-wide by Year-end”, Minsk, 26 March 2018. Available at [http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase\\_id=713521](http://www.pravo.by/novosti/obshchestvenno-politicheskie-i-v-oblasti-prava/2018/march/28232/?sphrase_id=713521)

<sup>52</sup> National Programme “Comfortable Housing and Friendly Environment” for 2016-2020.

<sup>53</sup> Approved by the Resolution of the Council of Ministers of the Republic of Belarus No. 248 dated 28 March 2016.

increased to 49 per cent. The losses of thermal energy in transit reduced to 10.2 per cent.

Areas, objectives and target indicators for further development of the heat supply system are identified in the Subprogramme 2 “Modernization and Increasing Efficiency of the Heat Supply System” of the National Programme “Comfortable Housing and Friendly Environment” for 2016-2020.<sup>54</sup> The target indicators of the Subprogramme are as follows:

- Annual replacement of at least 4 per cent of the length of heat supply networks with long service lives and unsatisfactory thermal performance, bringing the length of replaced lines from 2016-2020 to 3,156 km in total;
- Reducing the losses of thermal energy in heat supply lines to 10 per cent;
- Readjustment of boilers for local types of fuel, to decrease dependence on imported energy sources. Centralised heating systems predominantly use imported natural gas and consume 40 per cent of the country’s total gas consumption.

The National Programme “Comfortable Housing and Friendly Environment” for 2016-2020 aims to upgrade or reconstruct 837 heat-generating facilities operating on local fuels, by replacing inefficient hand-fired boilers with more efficient technology. Some boiler houses may also be upgraded or reconstructed by readjusting them to use electricity for heating and hot water supply once the Belorusskaya nuclear power plant is operational.

Everyone in the Republic of Belarus has access to electricity. This is due to a good supply of installed load capacity of energy sources, a well-developed system of electric grids, and by the affordability of electricity.<sup>55</sup>

The commissioning of the Belorusskaya nuclear power plant is likely to lead to increased use of electricity for heating, hot water supply and cooking in residential buildings. Housing built after 2017 is planned to predominantly use electricity for these, except for housing built in areas covered by combined heat and power plants, and in gas-supplied areas with spare capacity.

Gross consumption of fuel and energy resources per capita in 2017 was 93.9 per cent of the 2010 consumption. Primary power production using renewable sources of energy in 2017 was 6.2 per cent of the gross consumption of fuel and energy resources.

According to the Ministry of Housing and Utilities, the Republic of Belarus annually generates 21.5 million m<sup>3</sup> or 3.8

<sup>54</sup> Approved by Resolution of the Council of Ministers of the Republic of Belarus No. 326 dated 21 April 2016.

<sup>55</sup> Republic of Belarus, National Committee for Statistics, “Belarus on the Path to Achievement of Sustainable Development Goals, 2019, pp. 16–17.

million tons of solid household waste. Separate collection and recycling of solid household waste is being introduced and currently covers 80 per cent of the population. Seven waste sorting plants have been built in the cities of Brest, Gomel, Novopolotsk, Baranovichi, Grodno, Mogilev and Minsk. These are currently operating at 22 per cent of their capacity.

In 2018, the share of reused municipal solid waste was about 20 per cent of total municipal solid waste. By 2025 this share is expected to reach 25 per cent.<sup>56</sup> The main areas of improvement for municipal solid waste management are defined in the National Strategy for Municipal Solid Waste and Secondary Raw Materials Management until 2035.<sup>57</sup>

### Utility tariffs

Prices for utility services comply with Presidential Decree No. 72 (2011) "On Certain Issues of Regulating Prices (Tariffs)". Establishment of utility tariffs for the population involves ensuring recovery of the actual costs of services – these are referred to as economically justified tariffs - plus State-subsidized tariffs for the population. The methodology for computing the economically justified tariffs has not been made public.

In 2013, average utility tariffs for the population were only 30 per cent of actual costs. To cover the subsequent losses, "Belenergo" and other utility enterprises were given direct budget subsidies, and also applied higher tariffs to non-domestic consumers, specifically to industrial enterprises. Budgetary and quasi-budgetary expenditures supporting utility enterprises related to the tariff policy were about 1.5 per cent of GDP in 2013.

In 2013, the Government initiated measures to reduce budgetary expenditure supporting utilities for the population and improving performance of utility providers. The Programme for the development of housing and utilities until 2015,<sup>58</sup> aimed to increase tariffs for the population to total cost recovery level by 2015. However, at the end of 2013 this tariff reform was amended,<sup>59</sup> deciding that tariffs for the population will depend on quarterly fluctuations in the average nominal wage. Additionally, it was decided to introduce increased higher block tariffs for water supply and sewerage services, as well as for electricity and gas,<sup>60</sup> meaning the tariff rate for a unit of consumption of water, gas or electricity increases upon exceeding a triggering threshold. A full cost recovery tariff is applied for consumption levels in the highest consumption block.

<sup>56</sup> Ibid., p. 24.

<sup>57</sup> Approved by the Resolution of the Council of Ministers of the Republic of Belarus No. 567 dated 28 July 2017.

<sup>58</sup> Approved by the Resolution of the Council of Ministers No. 97 (2013).

<sup>59</sup> Decree No. 550 of the President of the Republic of Belarus (2013).

<sup>60</sup> Resolution of the Council of Ministers No. 571 (2014).

A two-block tariff system for the population implemented in 2014, applies tariffs ensuring full recovery of costs for water supply and sewerage services if the level of daily water consumption exceeds 140 litres per person. This corresponds to an annual water consumption of about 51 m<sup>3</sup> per person, and generally to the countrywide average household water consumption in 2014: 137 litres per person daily.

In early 2014, average tariffs for citizens recovered only 34.5 per cent of the actual costs of water supply and 32.5 per cent of sewerage costs. In early 2015, the tariffs for the population of Minsk amounted to only 26.6 per cent of economically justified tariffs. On 1 June 2018, the cold-water supply tariff in Minsk was 99.2 per cent of the economically justified tariff, while the sewerage service tariff stood at 100 per cent (see table 7).

The most subsidized rate is the thermal energy tariff. Even though increases in gas prices, combined with national currency devaluation over the last 10 years, have led to significantly higher heat production costs, this has not led to an increase in tariffs for the population. Although the heat energy tariff increases annually, its share in the economically justified tariff over the last 5 years has remained virtually unchanged at 20 per cent.

The high rate of subsidizing the heat energy tariff tangibly reduces cost-effectiveness of energy-saving measures like thermal insulation of facades. It also diminishes the motivation of owners of premises in multi-unit residential buildings for any energy efficiency upgrades.

On 9 February 2019, Resolution No. 81 of the Council of Ministers introduced amendments to the rules for computation and payment of utility services that become effective on 1 March 2019. According to the new rules, subsidized tariffs should be used in computation of payments for citizens registered in a housing unit, regardless of whether they are owners, tenants, or their family members. Therefore, for subsidized tariffs to be applied, the deciding issue will be registration of residence rather than right to use the premises. Furthermore, subsidized tariffs will be applied to the entire floor area of the premises and the actual consumption of water, heat and electricity, and not to the standard floor area and consumption. Under the new rules, economically justified tariffs will only apply to housing premises with no registered dwellers.

Therefore, the Government seems to have abandoned the earlier goal of gradual transfer to economically justified tariffs and is strengthening inefficient non-targeted support to the population in their payments for housing and utility services. Such support mainly benefits the most well-to-do households - those which have more than one housing unit, or housing with a floor area exceeding the social standard.

TABLE 7

## Utility tariffs for the population and the city of Minsk, 2018

Type of Utility Service	Unit of Measurement	Tariff fully recovering economically justified cost, BYR	Subsidized tariff for population, BYR	Share of subsidized tariff in the economically justified tariff, percentage
Electricity	kW	0.1814	0.1433	79.0
Gas supply (for cooking)	1 person	3.2100	2.6200	81.6
Heat supply	1 Gcal	81.4200	16.9259	20.8
Cold water supply	1 m <sup>3</sup>	0.8114	0.8053	99.2
Sewerage	1 m <sup>3</sup>	0.5398	0.5398	100.0
MSW management (in rubbish-chute equipped buildings)	1 m <sup>3</sup>	7.7430	7.7430	100.0

Source: Minsk City Executive Committee.

Changes in the procedure for subsidized tariff application are explained by a wish to simplify the payment computation system, and provision of non-cash housing subsidies through a countrywide automated information system for housing and utility services. Such an automated system is already implemented in the city of Minsk and must be extended to other regions of the Republic. Automation is given preference, to the detriment of economically justified relations in the sector and targeted budgetary support for the neediest households.

### Renewable energy tariffs

The Law "On Renewable Energy Sources" incentivizes the energy sector to use RES by establishing special tariffs for electricity generated this way. The size of tariff is regulated by the Ministry of Economy of the Republic of Belarus.

These special tariffs are applied to electricity generated from RES within Belarus by individual entrepreneurs and legal bodies which are not part of the State-owned industrial electric power corporation "Belenergo", but which supply to its power-providing bodies. Tariffs for RES power purchased by "Belenergo" are at the level of electric power tariffs for industrial and equal-status consumers with connected capacity of up to 750 kW, with a multiplying coefficient depending on age and quality of the RES installation.

### Public-private partnership in the utility sector

State-owned enterprises dominate the utility sector. The role of the private sector is small; in waste collection it only participates in a public-private partnership (PPP) for collection and utilization in the city of Minsk. A small number of small private enterprises are active in district-level heat supply - about 1 per cent of the countrywide heat supply service.

The development of legislative and regulatory frameworks for PPP is in progress. According to international experts,<sup>61</sup> the draft law on PPPs developed by the Ministry of Economy in 2012 only partially meets international standards.

Private sector participation needs the State to gradually cede its service provider role, and there are plans to implement many infrastructure projects using PPPs. Currently, however, the potential of PPPs as a mechanism for improving utility services by attracting private finance and improving performance is not used.

## Recommendations

### The Government is recommended to:

- **Consider creating a special inter-agency coordination body for the housing sector.** Housing policy, housing planning and construction are currently the responsibility of various Government agencies. The President determines the main directions of the housing policy of the Republic, while the Council of Ministers has an overall responsibility for the development and implementation of the housing policy. However, currently there is no interagency coordination body for the development and implementation of housing policy under the Council of Ministers. The Ministry of Housing and Communal Services is responsible for the development and implementation of government policy for the housing and utilities sectors. The Ministry of Architecture and Construction is responsible for implementation of government policy in housing

<sup>61</sup> *Environmental Performance Reviews: Belarus, Third Review*, (United Nations publication, Sales No. 16.II.E.5).

construction. Several other ministries are responsible for specific issues related to development of the housing and utilities sectors. Considering the complexity of the tasks related to development of the housing sector and the utilities serving it, it is recommended that a special body under the Council of Ministers is created. This would formulate a comprehensive government policy on housing sector development and ensure coordination of activities of the relevant ministries and departments.

- **Promote rental housing to meet the needs of low-income population and to ensure labour mobility.**

As a result of mass privatization, the predominant form of the housing tenure in the Republic of Belarus is private property. To meet vulnerable people's housing needs, a system of municipal housing is being re-established, available for rent to low-income population. However, because of the insufficient budgetary resources of the municipalities, not all the needs of the most vulnerable groups can be met. Therefore, while the municipal housing should remain accessible, additional opportunities for rental housing should be created. Development of rental housing could promote housing accessibility for different groups and support labour mobility. Although the latest government policy documents contain proposals for the development of the rental housing market, specific organizational and financial mechanisms for this have not yet been developed. Under existing financial conditions, the construction of long-term lease rental housing for low and middle-income households is possible only with state support. Best practice from other European countries could be used to develop an effective system for the rental housing sector.

- **Ensure integrated data collection and analysis on the housing sector, publishing it as a special publication.** The National Statistical Committee collects a large amount of data about the housing sector, which is published in various statistical reports on different topics; however, the data is not consolidated, and the information is very dispersed. In addition, part of the housing sector data is collected at local level and is summarized at sectoral ministries but does not reach the State Statistics Committee. A special regular publication showing data on different aspects of the housing sector and communal services would provide a necessary basis for the analysis of the state in the housing sector. It could include, for instance, data on housing needs, affordability, and need for major repairs and energy-efficient upgrading of residential buildings. This information could also be used for planning affordable housing construction, reconstruction and maintenance at national and local levels, which will also create more opportunities for private sector investments.

- **Create conditions for wider participation of the private sector and homeowners in the management of multiapartment buildings.**

Public organizations play a dominant position in the management of residential buildings. Apartment owners can establish partnerships for management of residential building common properties, but there is a trend towards transferring management and maintenance of multiapartment common properties to state organizations. Those housing management state organizations are appointed by local authorities and work with partial financing from apartment owners, but without their participation. Apartment owners are not consulted when contractors for building maintenance are selected, or for renovation or renovation planning. The Ministry of Housing and Communal Services needs to remove the legislative restriction on private sector participation in the management of the multiapartment buildings. This will facilitate the development of a better functioning market for renovation of multiapartment housing.

- **Develop market mechanisms for capital repairs and energy-efficient housing modernization.**

Currently, renovation of housing stock is the responsibility of local authorities, which plan and organize the implementation of housing renovation programmes through the appointed state housing management organizations. Owners of apartments are not involved and do not have a say in how the renovation of their home is organized. As discussed above, the role of the owners is reduced to paying comparatively small amounts into local authority capital renovations housing funds. However, the overall slowdown of economic development resulted in an abrupt decrease in municipal financing for capital renovation of housing. As a result, measures to improve energy efficiency of apartment buildings were excluded from capital renovation implemented by local authorities as they are very expensive. The Ministry of Housing and Communal Services should develop measures for transition of capital repairs and modernization of multiapartment housing stock to market mechanisms. This could include transfer of some capital renovation functions to owners' associations or apartment house managers. This will also provide financial incentives for owners to invest their own and borrowed, funds into the maintenance and capital repairs.

- **To create a financially sustainable public sector, the Government needs to complete the transition to economically sustainable utility tariffs for the population while simultaneously ensuring support measures to low-income households to avoid "poor owners".** The communal infrastructure necessary for provision of public services to the population requires considerable investment for maintenance and

modernization. Despite the declared goal of a gradual transition to economically sustainable utility tariffs, subsidized tariffs for certain types of utilities, especially heating, continue to be used. The dependence of public utilities on subsidies makes them financially unsustainable. The Ministry of Housing and Communal Services should more consistently implement the transition, decreasing and eliminating the subsidies to the utility's tariffs. Alongside this process, a system to support vulnerable groups needs to be developed to ensure the availability of basic services for low-income citizens.

- **Harmonize national standards and norms in construction with international standards and coordinate technical regulations of construction and urban planning.** The Ministry of Architecture and Construction should develop a coherent policy for guiding the development of technical regulations and standardization, with a view to ensure synergies and economic spill over effects between construction and urban planning. This could be done by creating a working group that brings together representatives from State agencies and the private sector. This working group could agree on common objectives and concrete measures, with clear directions concerning responsibilities and performance indicators. The State Agency for Certification should be enabled to complete the requirements for joining the International Laboratory for Accreditation. The Belorussian Institute of Metrology should implement activities aimed at further improving the metrology system in the housing sector. The Institute should consider:
  - Participating in comparisons of the national primary etalons of Belarus with primary etalons of EU countries;
  - Participating in EU interlaboratory comparisons on tests of mutually-traded products;
  - Developing standard samples and reference methods of measurement, drawing on the experience of relevant institutions such as the Institute for Reference Materials and Measurements-IRMM;
  - Building capacity through training in evaluating measurement uncertainty in product testing, including on energy-efficiency indicators;
  - Introducing remote calibration of measuring instruments.
- **Develop programmes to support construction companies in meeting the requirements of international standards.** This is important not only to ensure building safety but also to protect the health of the population and the environment, as well as

promote research and technological development in the construction sector.

- **Create equal conditions for public and private housing developers and develop competition in housing construction.** There are significant advantages for state construction companies in the construction of social and public housing. For example, the construction of social housing and housing acquired by citizens with the provision of the state support may only be carried out by state developers. To state companies building social housing, land plots are provided without auction and free from obligation for the resettlement of citizens. This is not the case for private sector enterprises which are responsible for resettlement costs, which in some cases may be extremely high due to litigation fees. The Ministry of Architecture and Construction should create equal conditions for private and public developers in the construction of social and public housing, as it is the case in the construction of commercial housing. Furthermore, the Government should develop measures for attracting non-state developers - private business organizations and non-profit organizations (housing cooperatives, rental housing associations, etc.) to the construction of social and affordable housing using various forms of public-private partnership. Price regulation measures should also be revised to reduce housing construction costs and develop competition in the housing construction field. When drafting legislative changes, it is recommended that an assessment of the impact of regulation on construction costs be conducted, especially on the potential consequences for competition in the construction industry and related industries.





3.

## HOUSING AFFORDABILITY



### 3. HOUSING AFFORDABILITY

This chapter examines housing affordability, especially for vulnerable groups of the population. The chapter was developed through an analysis based on the sustainable livelihood approach (SLA).<sup>62</sup>

#### National affordable housing policies

Affordable housing is regarded as an important tool for improving population welfare and is a major theme in many of the Republic's development plans. These provide detailed objectives and performance indicators, going beyond increasing the supply of affordable housing units, to emphasizing increased use of efficient, environment-friendly housing designs, utility and waste management systems. The plans also seek to increase private sector contribution to affordable housing and set clear targets and action-oriented measures for developing the construction sector.<sup>63</sup>

Affordable housing policies are set out in different development plans:

- State Programme "Housing construction" for 2016-2020;
- State Programme "Comfortable housing and favourable environment" for 2016-2020;
- Concept of the Construction Complex Development for 2011-2020;
- National Action Plan for the Development of "Green" Economy until 2020.

These policies are complemented by efforts targeted at enabling the poorest population segment, referred to in policy documents as "households in need", to afford housing. Legislation provides the criteria for determining needy households eligible for State support. A household is considered eligible if:

- Average monthly income for each household member is under the minimum subsistence level<sup>64</sup> for 3 months

<sup>62</sup> For a brief overview of SLA, see, for example: Chambers, R. and G. Conway, "Sustainable Rural Livelihoods: Practical Concepts for the 21st Century", Discussion Paper 296 (Brighton, Institute of Development Studies, 1992).

<sup>63</sup> For the period under review (2011-2017), all data in national currency are provided in BYR to ensure uniformity in the analyses. After the denomination in 2016, 1 BYN = 10,000.0 BYR. The weighted average exchange rates of BYR per 1 USD by year are as follows: 2011 – 5,606; 2012 – 8,370; 2013 – 8,971; 2014 – 10,260; 2015 – 16,254; 2016 – 19,998; 2017 – 19,333. Available from <http://www.nbrb.by/statistics/ForexMarket/AvrExRate/>.

<sup>64</sup> According to the law "On minimum subsistence level in the Republic of Belarus", low-income households are defined as having average per capita income demonstrably below the subsistence level. This is defined as the minimum subsistence level plus compulsory payments and contributions. The minimum subsistence budget is calculated by the Ministry of Labour and Social Protection as average per capita indicator for different socio-demographic groups.

within 12-month period prior to applying for State support<sup>65</sup>

- Floor area per person is 15 m<sup>2</sup> or less (Presidential Decree No. 565 of 29 November 2005).

Other otherwise socially unprotected groups considered for State support measures include:

- Orphans and children left without parental care
- Households with many children
- Households with disabled children and people disabled since childhood in disability groups I and II<sup>66</sup>
- Sick or disabled radiation victims of from the Chernobyl disaster and other radiation accidents;
- Young families with two minor children.

In Minsk, to be eligible for State support, a household should have under 10 m<sup>2</sup> of floor area per person and a minimum permanent residence in Minsk of 10 years. The State authorities started revising the list of households in need annually – previously, revisions were undertaken every 5 years.<sup>67</sup>

During 2009-2017, the key measures taken by the State to support households in need included:

- Granting of non-cash subsidies to households burdened by utility payments exceeding 20 per cent and 15 per cent of average monthly income for urban and rural households, respectively;<sup>68</sup>
- Rental assistance for households where the average monthly income for each family member is below the minimum consumer budget. These households are eligible for rent-free social housing from State-owned stock;<sup>69</sup>

<sup>65</sup> Resolution of the Council of Ministers No. 1955 of 20 December 2000 "On approval of the provision on referring citizens to the category of low income to obtain State support for the construction (reconstruction) or acquisition of residential premises".

<sup>66</sup> According to the Resolution of the Ministry of Health No. 97 of 25 October 2007 "On approval of the Instruction on the procedure and criteria for determining the group and cause of disability, the list of medical indications giving the right to receive a social pension for disabled children under the age of 18, and the degree of loss of their health", group I is defined as a pronounced limitation on the ability to work, inability to work, the impossibility or presence of medical contraindications to any kind of work. Group II is defined as a pronounced violation of the ability to work, the ability to perform work in special conditions, using technical and other aids and (or) with the help of other persons or when the amount of work performed is severely limited due to a marked reduction in working time

<sup>67</sup> Decree of the President No. 346 of 09 August 2011 "On implementing the additions and amendments to some decrees of the President of Belarus".

<sup>68</sup> Decree of the President No. 322 of 29 August 2016 "On granting non-cash housing subsidies"

<sup>69</sup> Resolution of the Council of Ministers, No. 301 of 28 February 2006. "On approval of the procedures for determining the average monthly gross income and the value of the property of citizens and members of their families in order to apply for social housing"; Decree of the President No. 563 of 16 December 2013 "On some issues of the legal regulation of housing relations."

- Keeping housing construction cost for low-income households as low as possible by establishing price margins, restricting the use of imported building materials, and defining the maximum profitability of State-supported housing construction.<sup>70</sup> The documentation to estimate construction cost uses norms approved by the Council of Ministers and estimates are based on current resource prices. Prices for resources used in construction must have a profit margin under 20 per cent of their cost; imported resources must make up less than 10 per cent of the contract price; and retail prices must have a wholesale price premium of under 10 per cent. If construction materials provided for the tender are made by local producers, a preferential price adjustment of 15 per cent can be applied to the offer price;
- Maintaining housing and communal services at affordable prices. State authorities establish the procedure for price calculations, and annually approve maximum price levels for housing and communal services;<sup>71</sup>
- Homeownership assistance by low-interest loans, subsidies to pay part of the interest on bank loans issued for construction or reconstruction of residential premises, and subsidies for repayment of the principal debt on these loans. Low-income households can apply for financial support measures if the average monthly income for each household member is under the minimum subsistence level for 3 months within the 12-month period prior to applying for State support.

### Access to affordable housing

State policies and programmes are aimed to ensure continued improvement in availability of affordable housing units, while increasing the private sector's contribution to the affordable housing supply.

<sup>70</sup> Decree of the President No. 361 of 11 August 2011 "On the improvement of the procedure for determining the cost of construction and the introduction of changes in certain decrees of the President"; Resolution of the Council of Ministers No. 1553 of 18 November 2011 "On some measures for the implementation of the Decree of the President No. 361 of 11 August 2011"; Resolution of the Ministry of Economy No. 10 of 26 January 2012 "On the forecast price indices in construction"; Resolution of the Ministry of Architecture and Construction No. 13 of 06 May 2017 "On certain issues of regulation of prices for construction materials, products and structures"; Decree of the President No. 380 of 20 October 2016 "On the procurement of goods (works, services) in construction"; Resolution of the Council of Ministers No. 88 of 31 January 2014 "On the organization and carrying out of procedures for procurement of goods (works, services) and payments between the customer and the contractor during construction".

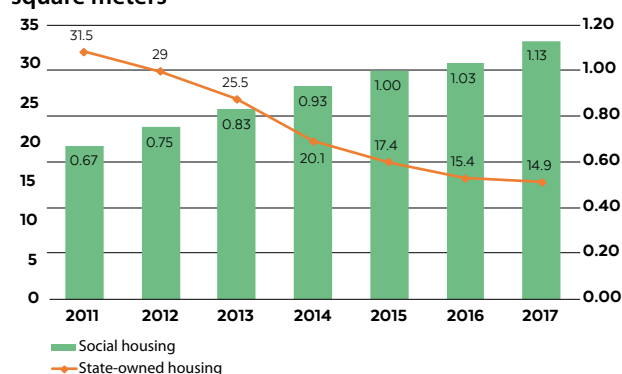
<sup>71</sup> Decree of the President No. 535 of 31 December 2015 "On the provision of housing and communal services"; Decree of the President No. 473 of 31 December 2017 "On the establishment of tariffs for housing and communal services for the population for 2018"; Resolution of the Council of Ministers No. 54 of 18 January 2006 "On approval of the regulations on procedure for forming and application of planned estimated prices on housing and communal services."

The floor area of State-owned residential buildings (including houses and apartments) for the period 2011-2017 decreased by almost half - from 31.5 million m<sup>2</sup> in 2011 to 14.9 million m<sup>2</sup> in 2017 (see figure 8) - due to housing privatization. However, in 2017, the rate of decrease in the floor area from 2016 (3.2 per cent) was lower, attributed to new constructions of State-owned housing after the completion of privatization in July 2016.

The situation in social housing availability followed the opposite trend. For the same period, the floor area of social housing almost doubled (see figure 8) and the number of social apartments increased by 74.6 per cent - from 13,400 in 2011 to 23,400 in 2017.

FIGURE 8

#### Availability of social housing by floor area by millions of square meters



Source: National Statistics Committee of Republic of Belarus - BelStat.

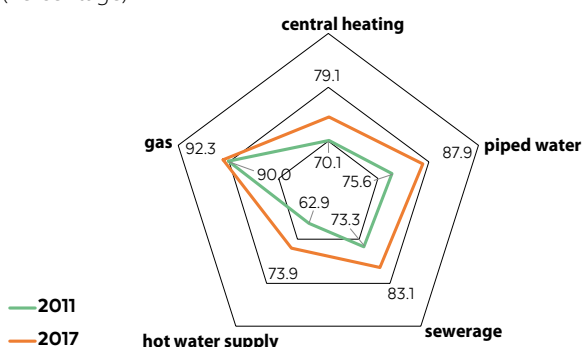
#### Providing access to public services to low-income households

Positive results of affordable housing policies are reflected in the increased access of low-income households to communal utilities. From 2011 to 2017, their access to hot water supply increased by 11 per cent, to sewerage treatment by 9.8 per cent, and to central heating by 9.0 per cent (see figure 9).<sup>72</sup>

<sup>72</sup> The State programme on water supply and water drainage "Clean Water" for 2011-2015 stipulates the provision of centralized drinking water to at least 98 per cent of urban settlements and 80 per cent of rural settlements (agro-towns), and an increase in the drainage system supply for urban settlements from 1.2 per cent to 5 per cent. The Government has also implemented the State Programme on Sustainable Development of Villages for 2011-2015 to address the needs of citizens living in rural settlements. The programme has set out plans for reconstruction and development of water supply networks in rural settlements, replacement of 292.5 km of water supply pipes, and building of 546 artesian wells.

FIGURE 9

### Access of low-income households to communal utilities (Percentage)



Source: National Statistics Committee of Republic of Belarus – BelStat.

### Household satisfaction with housing conditions

There was an increased overall satisfaction of low-income households with their living conditions in 2017 compared to 2011. The share of dissatisfied households has considerably decreased with a significant decline in the share of low-income households reporting the absence of separate housing units as a reason for dissatisfaction, based on results of a Belstat survey. Respondents cited either the lack of individual dwellings or insufficient living space as the main reasons for dissatisfaction.<sup>73</sup> The share of low-income households living in separate housing units in 2017 was 0.2 per cent less than in 2011.

Improved living conditions of low-income households is a manifestation of the positive results of affordable housing policies of Belarus.<sup>74</sup> However, with house price to income ratio<sup>75</sup> increasing from 10.8 in 2011 to 11.7 in 2016, affordability has become more challenging. The cost burden assumed by first-time single-family homebuyers and tenants increased from 10.1 per cent to 11.2 per cent over the same period.<sup>76</sup>

Another challenge to affordability are the stricter eligibility criteria for determining needy households since 2011, which

<sup>73</sup> Respondents could choose only one reason.

<sup>74</sup> According to the State Programme “Housing Construction” for 2016–2020, the implementation of State policy in the field of housing construction in 2011 – 2015, put 25.8 million m<sup>2</sup> of housing into operation. As a result, 310,000 households could improve their housing conditions. The major part of the newly constructed housing (13.7 million m<sup>2</sup>) was constructed by households registered by the State as needy (53 per cent of families or 196.7 thousand families).

<sup>75</sup> House price to income ratio is the ratio of the cost of 100 m<sup>2</sup> of a typical upscale housing unit, compared to the country’s GDP per capita. Housing affordability, measured by the WB, is calculated as a median multiple – the ratio of the median house price to the median gross annual household income. The data for Belarus was calculated as the ratio of costs of newly-constructed houses to the average households’ available resources.

<sup>76</sup> Republic of Belarus, National Statistical Committee, “Housing performance indicators, 2011–2016”.

has decreased the percentage of households benefitting from State support (see table 8).

TABLE 8

### Households’ financial participation in housing construction under the State support programmes (in thousands)

	2011	2012	2013	2014	2015	2016	2017
Households which improved their housing conditions	47.7	39.2	38.7	36.6	33.2	24.2	22.0
Households considered eligible for State support	849.2	813.6	773.0	742.2	718.3	694.0	678.0

Source: National Statistics Committee of Republic of Belarus – BelStat.

With fewer households benefitting from State support and the difficulty in accessing bank loans, the population share using personal savings to finance housing construction has significantly increased – 1.74 times in the period 2011 to 2017. Meanwhile, housing construction through bank loans decreased 4-fold.<sup>77</sup> According to Belstat, reliance on personal savings to purchase real estate is among the most important goals for personal savings cited by low-income households. Increased reliance on savings is further demonstrated in Table 9, which shows a rise in the monthly amounts that households allocate for purchasing real estate and constructing new houses.

TABLE 9

### Households’ expenditures on housing construction and purchase of real estate

Expenditures	2011	2012	2013	2014	2015	2016	2017
Average monthly spending, low-income households:							
• thousands of BYR	83.4	30.4	19.5	35.2	45.7	67.0	80.0
• percentage of total households’ expenditures	7.0	1.5	0.8	1.0	1.2	1.6	1.7
Average monthly spending, all households:							
• thousands of BYR	105.5	188.5	270.4	338.5	349.8	393.0	381.0

<sup>77</sup> Republic of Belarus, National Statistical Committee, Commissioning of housing by financial source, 2011–2017.

Expenditures	2011	2012	2013	2014	2015	2016	2017
households							
in urban areas	116.2	209.3	298.1	351.4	384.0	445.0	440.0
in rural areas	77.4	134.0	198.1	304.9	259.9	257.0	228.0
• percentage of total households' expenditures	0.4.0	4.0	4.2	4.3	4.0	4.3	3.9

Source: National Statistics Committee of Republic of Belarus – BelStat.

Note: Statistics are based on household surveys. The data was published in the statistical yearbooks "Social conditions and standard of living in the Republic of Belarus" for the corresponding year.

Housing utilities and communal services are also assuming an increasing share of household expenditures, further undermining affordability. The share of these items in low-income household expenditures showed continued growth, representing 11.4 per cent of low-income household consumer expenditure in 2017.

Average monthly expenditure on cold water supply and sewage treatment increased 16.5 times from 2011 to 2017. Heating and hot water supply costs increased by 2.9 and 3.7 times, respectively. The housing and communal services price index registered a steady annual growth, exceeding 20 per cent from 2011 to 2016. This index covers technical maintenance, cold/hot water supply and drainage, as well as power and gas supply and house heating.

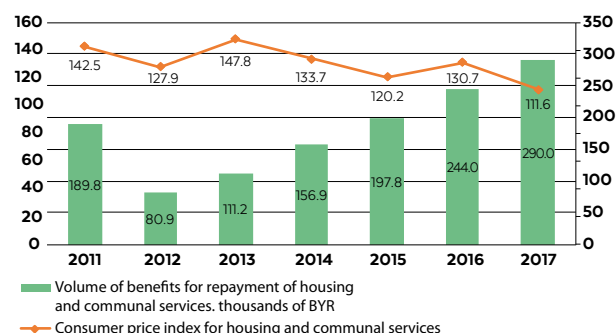
Despite these increases, official statistics by Belstat show that only 3 per cent of households experienced a shortage of funds for housing and communal services from 2014-2017. This can be partly explained by increased housing and communal services subsidies disbursed by the Government, which increased by 52.8 per cent in 2017 compared to 2011 to reach BYR 290 thousand (see figure 10).<sup>78</sup>

Nonetheless, a cursory comparison of housing utilities and communal services repayments reported by households and the housing utilities price index, suggests that State subsidies should be further improved to keep pace with changes in the prices of utility services.

<sup>78</sup> According to the Ministry of Housing and Communal Services, 14,950 families received non-cash housing subsidies in 2017 amounting to BYR 7,443 million. Available at <https://finance.tut.by/news607458.html>

FIGURE 10

### State subsidies for housing and communal services per household



Source: National Statistics Committee of Republic of Belarus – BelStat

The Programme for Social and Economic Development for 2016-2020 aims to bring the value of housing per m<sup>2</sup> equal to the country's average salary by 2020. This is a key indicator of the construction sector's overall efficiency,<sup>79</sup> and, in the Government's opinion, can be ensured through the widest possible use of domestic building materials.

To this end, laws apply special measures to promote increased involvement of domestic producers in tenders. Procurement laws, including those about housing construction, established preferential amendments to the price of construction goods and services produced in Belarus, as well as in countries with which Belarus has preferential trade agreements.<sup>80</sup> Implementing the amendments means the tender commission can reduce the price of tender proposals by 15 per cent.<sup>81</sup>

This measure, intended to reduce construction costs, has led to an imbalance between the price of construction materials and the cost of housing construction. Table 10 shows the price of construction materials increased by 10 per cent per year from 2012 to 2017, while construction cost increase reached 66.9 per cent. This may be the result

<sup>79</sup> Decree of the President No. 466 of 15 December 2016 "On approval of the State Programme of Social and Economic Development for 2016-2020".

<sup>80</sup> Resolution of the Council of Ministers No. 88 of 31 January 2014 "On the organization and carrying out of procedures for procurement of goods (works, services) and payments between the customer and the contractor during construction"

<sup>81</sup> According to the Decree of the President No. 380 of 20 October 2016 "On the procurement of goods (works, services) in construction", the Decision of the Council of Ministers No. 88 (including paragraph 9 establishing the preferential amendment) is applied to constructions fully financed by foreign investors and construction of individual and blocked houses financed fully from population funds. Please note that the Belarussian Ruble was devalued in 2016, thus the significant drop between 2015 and 2016. For more information, please refer to the "Currency conversion" section.

of implementing preferential amendments. It resulted in a situation whereby domestic producers could win tenders despite offering a higher price in comparison to imported construction materials. This suggests that some affordable housing policy measures may inadvertently reduce housing affordability.

**TABLE 10**

### Dynamics of housing construction costs (Percentage)

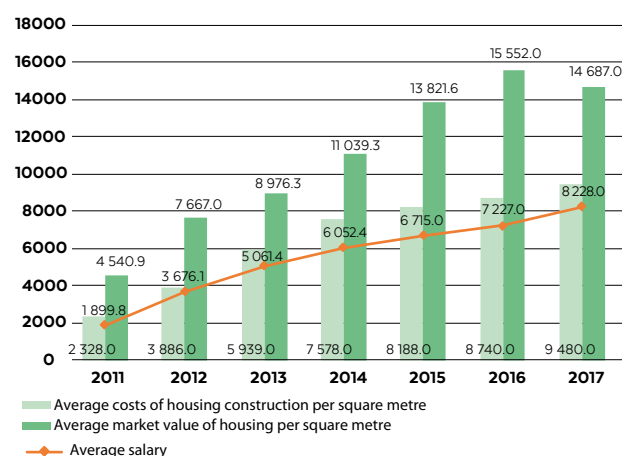
Year	Growth rate of housing construction costs	Consumer price index for building materials
2012	166.9	109.9
2013	152.8	107.6
2014	127.6	108.0
2015	108.0	110.3
2016	106.7	106.8
2017	108.5	101.2

Source: National Statistics Committee of Republic of Belarus – BelStat.

Housing prices per m<sup>2</sup> are growing to almost double the average wage and construction costs (see figure 11). The imbalance between construction costs and housing prices opens the door to speculative capital which, in turn, may fuel further increases in housing prices. This is shown by the disproportionate distribution of investments in real estate and construction. Investments channelled to real estate activities significantly exceed the amounts channelled to the construction sector. Real estate, which includes all types of activities involving renting or selling buildings and land, attracted the same amount of investment as the manufacturing industry (see table 11).

**FIGURE 11**

### Dynamics of average housing cost, value of housing and average salary (thousands BYN)



Source: National Statistics Committee of Republic of Belarus – BelStat.

Note: For 2016-2017, data provided without devaluation.<sup>82</sup>

**TABLE 11**

### Investments to some sectors of national economy (Percentage of total investments)

Economic activity	2011	2012	2013	2014	2015	2016	2017
Construction sector	2.6	2.5	2.8	3.8	2.4	1.1	1.1
Operations with real estate	18.6	17.0	19.9	22.7	23.7	23.5	21.0
Manufacturing industry	28.6	26.7	23.5	26.9	26.3	21.6	22.1

Source: National Statistics Committee of Republic of Belarus – BelStat.

The magnitude of affordability challenges can be seen from a cursory examination of low-income households' perception of their living conditions, drawing on the responses of 60 randomly selected households to Belstat's 2017 household surveys. The responses suggest that unless swiftly addressed, affordability challenges will undermine the ability of needy households to achieve sustainable livelihoods.

For the selected households, salaries have historically constituted the main livelihood source. State support continues to rank as the second livelihood source and seems to have gained importance in 2017 compared to 2011. This is shown by the increased number of households reporting dependence on State benefits and financial aid to meet their food, health and fuel needs.

<sup>82</sup> The Belarusian ruble was devalued in 2016, thus the significant drop between 2015 and 2016. For more information, please refer to the "Currency conversion" section.

As shown in Table 12, only 16.7 per cent of selected households reported considerable improvement in their housing conditions in 2017 compared to the previous year, with the majority (63.3 per cent) reporting that their housing conditions have stagnated.

**TABLE 12**

### Low-income households' perception of their living conditions, 2017

(Percentage)

How would you assess your household's living conditions in 2017	Response rate	How did the living conditions of your household change in comparison to 2016	Response rate
Very low	23.3	Considerably deteriorated	0.0
Slightly below average	48.3	Slightly deteriorated	13.3
Average	28.3	No changes	63.3
Slightly above average	0.0	Considerably improved	16.7
High	0.0	Slightly improved	6.7

Source: National Statistics Committee of Republic of Belarus – BelStat.

Housing conditions seem to have played a significant factor in shaping these perceptions. Table 13 shows lack of adequate living area per person as a major concern for the selected households. Other concerns include the impossibility of purchasing land for home improvement and the shortage of financial resources for covering repair costs, all of which are considered as salient features of poverty.

**TABLE 13**

### Low-income households' perception of poverty and its causes, 2017

(Percentage of respondents)

Living condition factors perceived as causes of poverty	Do you consider this as a feature of poverty?	Is this relevant for your household?
Money stress paying bills on time for housing and communal services	93.3	11.7
Money stress for housing repair	93.3	35.0
Impossibility of buying a land parcel	40.0	41.7
Living in dilapidated or wrecked housing	100.0	3.3
Living in dormitory accommodation or with other households	71.7	13.3
Living in cramped housing (less than 5 m <sup>2</sup> of living floor space per person)	96.7	0.0
Lack of a separate bedroom for each member of the household	48.3	73.3
Lack of sanitation in the household's accommodation	100.0	13.3
Lack of central heating in the household's accommodation and lack of money for buying fuel	96.7	6.7
Lack of hot water facilities in the household's accommodation and lack of money to buy special water heating equipment	93.3	18.3
Lack of emergency services in the locality	80.0	0.0
Lack of regular transport to localities with a more developed common infrastructure	78.3	1.7

Source: National Statistics Committee of Republic of Belarus – BelStat.

The selected households seem to be badly placed to address these concerns, given the rising costs of communal services, electricity and gas.<sup>83</sup> These items have been taking up increased monthly household expenditure (see table 14), with electricity and fuel taking up a particularly large share from 39.8 per cent in 2011 to 43.4 per cent in 2017.<sup>84</sup>

<sup>83</sup> According to official statistics by Belstat, electricity prices increased 5.6 times in 2017 in comparison to 2011 in Belarus, whereas the costs of gas increased by 3.3 times

<sup>84</sup> Belstat data provided on the 60 randomly selected households

TABLE 14

## Low-income households' spending on housing utilities and housing loans, 2011-2017

	2011		2017	
	Number of households reporting payments	Average monthly payment per household (thousands BYR)	Number of households reporting payments	Average monthly payment per household (thousands BYR)
Fees for renting home accommodation	0	0	3	88.0
Payments for housing and communal services	56	72.2	57	299.4
Payments for electricity	57	25.5	58	190.0
Payments for piped gas	28	49.4	27	128.1
Payments for condensed gas			15	46.0
Payments for wood fuel	11	25.8	10	144.9
Payments for turf	0	0	3	121.5
Payments for coal	0	0	1	108.3
Repayment of housing loans	6	69.1	6	510.0
Payments for housing construction or purchase of housing from own funds	1	266.7	6	322.3

Source: National Statistics Committee of Republic of Belarus – BelStat.

To sum up, the analysis shows that Belarus has well-established affordable housing policies, which follow a three-pronged approach. The first targets low-income households with direct support in the form of rental assistance or free rent, homeownership assistance with soft loans, and non-cash subsidies for utility and communal services. The second approach involves price control measures to reduce construction costs, while the third features a dedicated effort to ensure housing units comply with technical requirements for protecting human life, health and the environment.

This multi-faceted approach has delivered impressive results to low-income households in the form of improved living

conditions. However, affordability has become challenging over the past few years, with economic recession forcing the Government to tighten eligibility criteria for State support.<sup>85</sup> Price control measures are another factor. The long production cycle of housing units, during which cost, and demand factors can change considerably, makes it difficult to reduce housing prices. In the case of Belarus, price controls have resulted in an imbalance between the prices of construction material and housing construction costs. Moreover, a cursory comparison of housing utilities and communal services repayments with the housing utilities price index suggests that non-cash subsidies should be further improved to keep pace with changes in utility service prices.

<sup>85</sup> The country showed sluggish economic growth during 2013-2014, with GDP growing by 1 per cent and 1.7 per cent, respectively. There was an economic recession in 2015 and 2016 with GDP registering growths of -3.8 per cent and -2.5 per cent (Belstat)



## Recommendations

The Government is recommended to:

- **Consider revising the current eligibility criteria for state support for the low-income population.**  
The criteria should allow flexibility to ensure that state support acts as a countercyclical response to recessionary pressures in the economy and follows changes in electricity prices.
- **Stimulate competition and reduce costs, revise the preferential amendment on the price of construction material.**
- **Stimulate innovation in housing construction and the communal utilities sector through, for example, increasing R&D allocations for strategic construction techniques and systems.** These strategic areas could be identified in consultation with the private sector.
- **Stimulate increased private investment in affordable housing.** The Government could consider launching housing tax-credit programmes to incentivize develop investment in affordable housing.
- **Promote increased private investments in CABs for certifying construction materials and equipment.**
- **Consider extending the scope of RIAs so they include cost-benefit analysis of planned regulatory changes, with a particular emphasis on the implications for the construction sector's competitive dynamics and inter-industry competition.**
- **Promote support programmes for assisting construction company compliance with harmonized standards.** This is important not only for protecting human health, safety and the environment, but also for developing the technological and innovative capacity of construction enterprises. These programmes could be launched and executed by enterprise support institutions with expert support from specialized State agencies and research institutions.
- **Reconsider the mandatory application of standard designs for housing construction projects benefiting from State support.**
- **Support the Ministry of Architecture and Construction in developing a coherent policy for guiding the development of technical regulations and standardization, with a view to ensure synergies and economic spillover effects between construction and urban planning.** This could be done by creating a working group that brings together representatives from State agencies and the private sector. This working group could agree on common objectives and concrete measures, with clear directions concerning responsibilities and performance indicators.
- **Enable BSAC to complete the requirements for joining the International Laboratory Accreditation Cooperation MRA.**
  - Support BelGIM. BelGIM officials noted the institute could benefit from assistance in the following areas:
  - Further improving the metrology system's responsiveness to the housing sector;
  - Participating in comparisons of the national primary etalons of Belarus with primary etalons of EU countries;
  - Participating in EU interlaboratory comparisons on tests of mutually-traded products;
  - Developing standard samples and reference methods of measurement, drawing on the experience of relevant institutions such as the Institute for Reference Materials and Measurements;
  - Training in evaluation of measurement uncertainty in product testing, including on energy efficiency indicators;
  - Introducing remote calibration of measuring instruments.





4.

## URBAN DEVELOPMENT

## 4. URBAN DEVELOPMENT

### *Urban issues and trends*

The market economy is gradually changing the spatial structure of Belarusian cities: the cost of housing in central areas is increasing, and there has been an increase in office and retail space in the centre compared to residential development. For many cities the growing need for space is caused not so much by an increase in inhabitants, as by social and economic requirements. These include the need to provide people with better housing, to create public spaces and places for recreation, as well as changes in transportation, communication systems and production processes.

In 2007, the country decided to halt city expansion that used up adjacent agricultural land. A new stage of urban settlement development uses the concept of a compact city, implying higher density housing and the comprehensive reconstruction of existing buildings.

The Minsk general plan,<sup>86</sup> is based on preserving the existing boundaries of the city and limiting the population to 2 million people. This prioritizes the effective use of existing urban areas and internal resources. Industrial zones and areas with dilapidated and obsolete housing became important areas for development.

Meanwhile, in larger cities, building estates - blocks of multi-apartment housing - were constructed, which often led only to fragmentary improvement of specific urban environments and deterioration of the functional characteristics of the city as a whole, due to lack of social and transport infrastructure. The mechanisms for comprehensive reconstruction of residential and industrial built-up areas were underused.

The main threat to quality of city living is over-building and over-consolidation, leading to exhaustion of resources. This happens primarily in the central and middle zones of cities, with deterioration in function of the whole city. The mechanisms of complex transformation of built-up areas were largely unused.

Planners want to make best use of limited budgetary resources, as well as attract extrabudgetary funds to housing construction and renovation of residential buildings. They must therefore switch to combining renovated residential buildings and new housing construction in the previously built-up areas of the 1960-80s, using the principle of building consolidation.

Priority areas for improving the quality of the urban environment are:

- Improving the planning structure of cities;

<sup>86</sup> Approved by a Presidential Decree in 2016.

- Comprehensive reconstruction and modernization of urban areas;
- Constructing modern buildings;
- Expansion and spatial development of the central integrated areas of cities;
- Creating pedestrian streets and public spaces.<sup>87</sup>

Significant challenges include population growth and concentration in the capital and other large cities, and a decrease in the economic activity of medium and small cities. Migration from village to city will reinforce developmental imbalances between urban and rural areas

The main urban challenges for the national urban development policy were summarized by the Institute for Regional and Urban Planning of Belarus as follows:<sup>88</sup>

- Lack of territorial resources;
- Expansion of cities into green areas;
- Dilapidated manufacturing areas in central cities;
- Lack of social infrastructure in new residential areas;
- Old engineering infrastructure;
- Traffic jams and lack of parking areas in Minsk and other big cities;
- Reconstruction of housing stock.

The following main priorities for urban and territorial development are:

- Increasing territorial cohesion between regions and cities, and cities and rural settlements;
- Stimulating economic development and the competitiveness of cities using existing potential;
- Efficient use of current territorial resources, prevention of urban sprawl and controlled urbanization;
- Creation of inclusive, safe and friendly habitats for all groups of population;
- Development of transport and engineering infrastructures.

### *Green urban development*

As part of the urban planning and housing policy, a new conceptual approach for Belarus is being implemented. This is the development of green urban planning, implemented through such initiatives as the Belarus: Supporting Green

<sup>87</sup> National Report on the Development of Human Settlements of the Republic of Belarus to the UN Conference on Housing and Urban Planning (Habitat III), 2016.

<sup>88</sup> Kasyanenko Alena and Aliaksandr Khizhniak, Institute for Regional and Urban Planning of Belarus, "National Urban Development Policy of Belarus 2016-2020", presented at VASAB Conference "Achieving Good Living Environment: territory matters. What's beyond 2030 for macro-regions?", Warsaw, 7 June 2016.

Urban Planning in Small and Medium Cities project (Green Cities). This project has received an investment of over three million US dollars (USD). Its objective is to develop green urban planning and to pilot initiatives related to improving energy efficiency and sustainable transport in small and medium-sized cities. The national project coordinator is the Ministry of Natural Resources and Environmental Protection, the project is being implemented by the United Nations Development Programme (UNDP), and funding is from the Global Environment Facility (GEF).

The project uses an integrated approach to urban planning and development, technical solutions for the use of renewable and secondary energy sources, and energy-saving design and architectural planning solutions with the participation of all interested parties. It has four components:

- Development of plans for green urban planning;
- Introduction of sustainable transport measures in the cities of Polotsk and Novopolotsk;
- Improving the energy efficiency of the urban infrastructure in the city of Novogrudok;
- Disseminating the experience of green urban planning throughout the Republic of Belarus.

To enhance the sustainability of the project's results a mechanism is included for replicating actions to develop green cities, assisting ten other cities in developing green city planning plans. This includes development of the Brest Symbio City 2050 concept, action plans for sustainable energy-efficient development, and sustainable plans for urban mobility.

The total population of Belarus on 1 January 2018 was 9.4918 million.<sup>89</sup> The urban population is 7.4121 million (78.09 per cent), the rural population is 2.0797 million (21.91 per cent). The increase in the number and proportion of the urban population from 2005 to 2018, from 6.9532 to 7.4121 million or 72.2 per cent to 78.09 per cent, was due to migration from rural areas.

On 1 January 2018, the network of settlements in Belarus included 201 urban settlements, including 115 cities and 86 urban-type settlements, and 23,119 rural settlements (see figure 12). On average, the country has 46 inhabitants per one square kilometre. The density of the settlements' system is 114 settlements per 1,000 km<sup>2</sup>, including the urban system - almost one city per 1,000 km<sup>2</sup>.

A distinctive feature of the structure of urban settlements is the predominance of small and medium-sized cities: over 90 per cent of the total number. The population of most small cities is from 5 to 10,000 people - the vast majority of urban-type settlements do not exceed 5,000 people. About 70 per cent of the urban population is concentrated in large cities with populations of 100,000 or more.

**FIGURE 12**

### Settlement system



Source: "IRUP".

After the dissolution of the Soviet Union, there has been a steady increase in urbanization rates, although the pace declined significantly over the past ten years. According to forecasts by the National Statistical Committee, the urban population proportion will reach 79.2 per cent by 2020, and 82.3 per cent by 2030. The rural population proportion will decrease to 20.8 per cent by 2020 and to 17.3 per cent by 2030.

Urbanization is mainly growing in the capital as well as large cities with a population of 250,000. In the period under review, small cities and rural settlements lost inhabitants, and only in recent years has this stabilized. Therefore, the urbanization process is created by the decrease in rural population rather than by the actual growth of cities.

### Focus on Minsk

On 1 January 2018, the population density of Minsk exceeded 5,697 people per km<sup>2</sup>. For comparison, the density of neighbouring capitals is Moscow with 4,880 (2010), Warsaw with 3,450, Kiev with 3,420 and Riga with 2,270 people.

<sup>89</sup> Republic of Belarus, National Statistical Committee, *Belarus in Figures 2018*, p.6 (Minsk, 2018). Available at <http://www.belstat.gov.by>

TABLE 15

## Development of urban population of Minsk

Year	Population of urban agglomeration (in thousands)	Share in national urban population (percentage)	Years inclusive	Annual rate of change (percentage)
1995	1 666	24.0	1995 - 2005	0.45
2005	1 745	25.0	2005 - 2015	1.05
2015	1 938	26.5	1995 - 2015	0.75
2025	1 960	27.9		

Source: UN-Habitat 2016.

Minsk is an independent administrative-territorial unit with special metropolitan status. It performs important political and administrative functions and is the largest industrial, commercial, scientific and cultural centre in the Republic.

After the destruction of the Second World War, Minsk was rebuilt but not reconstructed. Most parts of the historical centre were replaced in the 1940s and 1950s by grand buildings, broad avenues and wide squares. Roads spanning up to 60 metres accommodate car traffic and above-ground public transport such as trams, trolleys and buses. In addition, there is an underground metro.

Minsk is a modern multifunctional city with modern architecture, cultural facilities and a developed urban structure. The basis of its international importance is trade, innovative enterprises, financial institutions and higher education institutions. The city's geographical location at the intersection of the most important trans-European transport communications has contributed to its growth.

It is important to determine what the future structure of city management will be. As part of meeting the requirements of the Presidential Decree No. 165 of 15 September 2003 "On approval of the general plan of the city of Minsk and some issues of its implementation",<sup>90</sup> the following were developed:

- A technical normative legal act, defining features of the implementation of urban planning in the territory of Minsk ("Rules for Development and Planning of the City of Minsk");
- Special urban planning projects determining intensity of use, functional zoning, urban planning development regulations, and the second ring road around Minsk. They also define the powers of the Minsk Regional Executive Committee and its urban planning activities within the proposed Minsk city limits.

<sup>90</sup> Amended by Presidential Decree No. 344 of 15 September 2016.

Currently these documents are undergoing approval procedures, including expert examination. The decree also jointly tasked the Minsk Regional Executive Committee and the Minsk City Executive Committee with approving the territory planning project within the proposed city limits of Minsk, and the second ring road around the city.

The territory of the capital inside the ring road should be reconstructed. For city planners, this is a completely new task, although today most European cities are developing along this principle. The transition from quantitative to qualitative indicators in the city's development is a chance to improve living environment quality.

In the urban settlement system there is an obvious trend for development of the Minsk agglomeration, which includes Minsk and its suburban territories. The general plan of Minsk connects the capital with smaller suburban towns, which are being developed as "satellite towns" of Minsk.

The Presidential Decree No. 214 of 21 May 2014 "On the development of satellite cities" is directly related to the country's agglomeration processes. It establishes that "cities of regional or district subordination, urban-type settlements located at a distance of under 60 km from the city of Minsk or the regional centre may be given the status of a satellite city."

Government policy for the development of satellite cities resulted in their rapid growth and an increase in morning commuting to and from Minsk - 60–70 thousand people, with 86 per cent moving from suburb to capital. Only 5 per cent travel in the other direction, of whom 85 per cent work in areas close to the capital. Areas adjacent to Minsk are characterized by high rates of population growth, have the most housing construction, and the largest influx of people. So, from 2011 to 2014, the population in these areas increased by 5 per cent, while the population of Minsk itself grew only by 3 per cent.

When forming the suburban zone of the city of Minsk agglomeration, in addition to the existing Minsk ring road, another ring element was also created. This second ring includes strategically important transport corridors and connects many settlements, including the national airport. The third, green belt, which is the third outer ring of the city, will connect many recreational and especially protected natural territories with the satellite cities of Logoisk and Smolevichi, as well as other settlements.

The Minsk agglomeration includes 11 different administrative districts and occupies 9,200 km<sup>2</sup>, with a population of over 540,000 people. The main changes in Minsk agglomeration development are expected in Greater Minsk, the central zone, which is defined by the second ring road and includes the developed territories of the Chinese-Belarusian industrial park "Veliky Kamen". The implementation of the largest international investment programme in the history of the Republic will require a developed urban and transport

infrastructure, including construction of a highway directly connected to the Minsk-2 airport, the Zeleniy Bor residential area, and the centre of the capital.

According to the General Plan of Minsk, the agglomeration is to be developed comprehensively to ensure availability of jobs in settlements within the Minsk agglomeration, especially in small towns. For this reason, in addition to housing for the projected population, satellite towns will need sites for industrial facilities, as well as active development of the services sector. The development of Minsk satellite cities implies they will have similar quality social standards in terms of the availability of the housing, jobs and services. The satellite cities of Rudensk (planned to have 81,000 thousand people) and Smolevichi (planned to have 30,000 people), are identified as priority developments for housing construction. The development of satellite cities Dzerzhinsk, Zaslavl, Logoisk and Fanipol will be the second stage, providing housing by renovating existing housing. The master plan of Minsk foresees an increase in the population: Dzerzhinsk will have 12,7000 people, Zaslavl 23,5000, Logoisk 9,9000, Smolevichi 14,4000, Fanipole 18,200, and the town of Rudensk 60,000 people.<sup>91</sup>

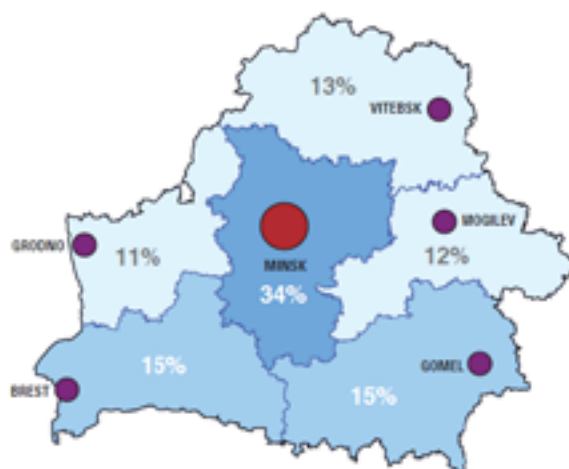
These cities may total 120-130 thousand people by 2030. They, with the participation of the Minsk City Executive Committee, will need support for the construction of 3.0 - 3.6 million m<sup>2</sup> of housing, as well as the necessary social and transport infrastructure. The development parameters of each satellite city are set out in detail in their master plans, taking into account social, economic and environmental resources.

### Population distribution

At the beginning of 2018, the city of Minsk and the city region (oblast) accounted for 35.9 per cent of the country's population. The Republic of Belarus has many multi-functional cities of national importance with developed services, culture and arts, and populations between 200,000 and 500,000 inhabitants. These include the five regional centres: Brest, Gomel, Grodno, Mogilev and Vitebsk. There are also cities of regional importance providing industries and regional administrative services which have populations up to 100,000 inhabitants. In addition, there are cities of local importance with up to 20,000 inhabitants.

**FIGURE 13**

### Population distribution, 2010



Source: National Statistical Committee of the Republic of Belarus, *Regional Statistics* (<http://belstat.gov.by/homep/en/indicators/regions/r1.php>)

### Transport infrastructure

Belarussian cities are well-connected to the pan-European transport corridors. Brest, Minsk and Orsha are located along corridor 2 from Berlin to Moscow. Corridor 9 comes from Odessa to Gomel and its two branches continue via Minsk or Orsha to Vilnius, St Petersburg and Helsinki. The road infrastructure is well-developed - some parts are in poor condition, but major road renovation projects are underway.

Railway transport has an important city-linking role, though it is developing more slowly in the west where two to three hours can be lost in time-consuming passport and customs checks and converting railcars from one gauge to another.

### The system of urban planning in the Republic of Belarus

The system of urban and territorial planning is an integrated part of the larger political and administrative system of the Republic of Belarus and is a subsystem of the framework of general political and administrative systems. Local authorities and urban stakeholders must plan within national rules and regulations, and often implementation depends on national financing. In return, the national Government can achieve many of its goals only through urban and territorial planning and development. Goals like the Sustainable development Goals (SDGs) and the New Urban Agenda have been adopted at the international level by national authorities, but now must be implemented at a local level.

The executive authorities play an important role in urban, regional and national planning. Executive power is headed by the Council of Ministers as the central body of State

<sup>91</sup> The concept of the development of satellite cities of Minsk.

administration, through the Bureau of the Council of Ministers, the Ministries, and Agencies.<sup>92</sup> State regulation of architectural, urban planning and construction activities is exercised by the President, the Council of Ministers, the Ministry of Architecture and Construction, local councils of deputies, local executive and administrative authorities, and other State bodies. The Ministry of Architecture and Construction is an authorized State body, carrying out architectural urban planning and construction activities. The Minister is a member of the Council of Ministers representing the Ministry of Architecture and Construction.

The Ministry of Architecture and Construction, along with city administrations, establishes councils of architecture and urban development. These function as consultative and advisory bodies on architecture, urban and territorial development, and provide professional expertise. The architectural and planning councils include representatives of the Ministry of Architecture and Construction, territorial subdivisions of architecture and urban planning departments, leading architects, as well as researchers of academic, design, public and other institutions. All urban plans are subject to mandatory coordination and harmonization with the relevant ministries and departments.

Urban planning and territorial development are carried out in accordance with legal and technical standards. Urban development is regulated by the laws of the Republic, decrees of the President, resolutions of the Council of Ministers, and decisions of local government executive bodies. Since November 2016, the Commission on Housing Policy and Construction has regulated development as part of the House of Representatives of the National Assembly.

The national urban development policy “On approval of the Main Directions of the State Urban Development Policy for 2016-2020”<sup>93</sup> included the following:

- Balanced development of regions and settlements by enhancing the sustainable settlement pattern;
- Comprehensive development of living environment and ecological security;
- Enhancement of regional and urban transport systems, and modernization of engineering infrastructure;
- Development of the architectural and planning structure of settlements with preservation and efficient use of historical-cultural heritage.

Taking these trends into account, Belarus has formed a vision of what the country’s city of the future should be. This vision is based partly on these concepts:

### I. Compact and mixed-use cities

Local urban plans encourage economic social mixing. This, and mixed land use, offer an attractive and affordable spectrum of services, housing and work opportunities. Plans for neighbourhoods aim at an adequate density and recognize the value of declining built environments by revitalising them, taking advantage of their assets, and strengthening their social identity. Examples are part of the old inner city of Minsk, and the city of Grodno, where revitalising old buildings has already stimulated economic development and increased quality of life.

### II. Socially inclusive city

Supported by the national government, local authorities promote social and spatial integration and inclusion. Inequality in Belarus is low compared to other countries: there are no slums and informal settlements and the number of homeless people seems to be very low. It is therefore unsurprising that public land and property transactions have not needed a social impact assessment clause. Nonetheless, social inclusiveness is at risk because the renewal of affordable housing is cost-intensive. The current waiting list for 200,000 affordable housing units is far higher than the 13,000 due to be produced in 2018. Authorities try to ensure that actions affecting land and property markets do not diminish affordability for low-income households and small businesses. Due to limited funds and socio-economic trends, it will remain a challenge for urban planners to create a socially inclusive city.

### III. Connected and Mobile City

Cities in Belarus have public transport systems linking city centres, housing neighbourhoods, and economic activity. Local authorities secure adequate space to develop safe, comfortable and efficient street networks, allowing a high degree of connectivity and encouraging non-motorised transport. This is to enhance economic productivity and facilitate local economic development. Prices for public transportation are relatively low but transport infrastructure, the rolling stock of trains and trams and the fleet of buses, require high investment especially regarding energy-efficient and climate-protecting renewals. However, having a well-developed network of streets and railway lines is an asset, and can reduce overall costs for sustainable connectivity and mobility in Belarusian cities.

### *Types and content of urban plans<sup>94</sup>*

<sup>92</sup> Baltic Sea Region INTERREG III B project 2006, page 6.

<sup>93</sup> Presidential Decree No. 334 of 5 September 2016.

<sup>94</sup> The main sources for this chapter – if not otherwise indicated – are the written answers on the assessment questionnaire ‘Urban and territorial Planning in Belarus’ and discussions with Ina Laurynovich, Head of Department of Architecture of the Committee of Architecture and Urban Planning of Minsk City Government.



Projects before 1991 were developed using a long-term planning approach. With the collapse of the Soviet Union and the transition to a market economy, there was a need for a more flexible response to changing socio-economic conditions. New approaches were used in the development of planning documentation which took into account not only the interests of the State, and the territory's inhabitants, but also private business and investors. Belarus is one of the few countries that has preserved the Soviet tradition of integrated territorial planning but supplements it with modern approaches and methodologies. These meet the requirements of the market economy, as well as the country's integration into the single economic space of the CIS.

Urban planning in the Republic of Belarus is carried out at three levels: national, regional and local. The process of developing planning documentation proceeded systematically and continuously during the period under review.

The main planning document defining the country's territorial organization is the State Scheme of the Integrated Territorial Organization of the Republic of Belarus (GSKTO RB). Urban planning at the regional level is represented by regional plans - schemes of integrated territorial organization of regions and administrative districts (SKTO).

The national budget funds the development of:

- The State scheme of the integrated territorial organization (SSCR)<sup>95</sup>;
- SKTO regions and administrative districts;
- Master plans of regional centres;
- Cities of regional subordination and satellite cities, except satellite cities of Minsk;
- Urban planning projects of special planning; and
- Areas of special State regulation, including - resort and recreational zones, free economic zones, territories for city development, territories with immovable material historical and cultural objects, specially protected natural territories and their buffer zones, natural areas subject to special protection, the National Ecological Network, and biosphere reserves.

All other plans for urban development are funded from local budgets.

The Ministry of Architecture and Construction has expanded as a result of the development of general and city-planning projects.<sup>96</sup> These include the State scheme for integrated territorial organization, schemes for integrated territorial organization of regions and districts, and general plans for cities of regional subordination and satellite cities, with the exception of the satellite cities of Minsk. They also include

town-planning projects, special national-level planning, and urban development projects of special State regulation areas.

Plans are in place at all levels of spatial planning in Belarus. In the master plans, urban planning projects are defined for general planning, with priorities, goals and strategies for integrated urban development. The focus is on the development of territories adjacent to settlement borders, the planning structure, functional zoning and land use norms, and the main parameters for construction. In addition, there are plans for engineering and transport infrastructure, social infrastructure, and the conditions for creating a safe and environmentally-friendly living environment.

At the level of neighbourhoods, detailed plans are drafted if one or more of the following conditions are met:

- There are no urban development projects for the areas concerned;
- There is interest in implementing investment projects in the areas concerned;
- The implementation of higher-level town-planning or adjacent-territory project is affected;
- There is a requirement to develop an urban project for an area, its administrative and territorial units, concerning public programmes for social and economic development;
- The implementation period of an urban development project has expired.

Plans include social priorities and parameters for social infrastructure and housing development. They also include indicators for environmental conditions, such as levels of atmospheric pollution and surface water. In addition, concerning natural and man-made disasters, there are evaluations of urban development activities required to prevent emergencies.

Local plans reflect the scale of the forecast growth of cities, ensuring their planned expansion, increasing their density and development adequately, as well as structuring well-interconnected systems of busy streets and properly-planned public areas. Local plans in Belarus have been severely affected by the Chernobyl accident and other adverse environmental factors. They are therefore aimed at ensuring adequate environmental conditions, prioritizing the protection of environmentally sensitive areas and areas where disasters may occur.

Local city plans include clear prioritization and phased achievement of the required results, based on adequate time frames and feasibility study results. Local governments oversee the work of specialists and private companies involved in the territorial planning process, with a view to aligning plans with local political vision, national policies and international principles. In addition, they ensure compliance

<sup>95</sup> State Security Committee of the Republic of Belarus.

<sup>96</sup> Presidential Decree No. 26 of 14 January 2014.

with the regulatory requirements for urban development and their functional effectiveness, taking measures to eliminate illegal development. Particular attention is paid to areas with a high level of risk, taking into account their historical, ecological and agricultural value. Projects for territories of historical, ecological and agricultural value should be coordinated with the relevant ministries and departments.

Compactness, or efficient use of the territory, is determined by indicators of housing density, the intensity factor of the building, and the land use structure". Accessibility indicators are measured in three areas: housing affordability and adequacy based on price, engineering, and transport infrastructure.

Plans include schemes for historical development and restoration of architectural sites of cities with historical and cultural heritage. These are classified by zones, such as the landscape, archaeological and cultural layer protection zones.

### *The process of urban planning*<sup>97</sup>

The order of development, coordination and implementation of urban planning, architectural and construction projects, and implementation of investment feasibility studies, ensures that projects are in line with plans for long-term city development. It also ensures efficient use of resources, and compliance with energy consumption requirements. However, if funding is not forthcoming for a national project, all projects downstream of it can remain unfulfilled.

The territorial agencies of architecture and urban planning are responsible for developing and implementing the strategic objectives of urban development, explaining the territorial development policy to the public, studying the dynamics of urban processes, and organizing the participation of stakeholders in discussion and design of urban development projects.

Territorial divisions of architecture and urban planning are structural divisions of local executive and administrative bodies and are headed by the chief architect.<sup>98</sup> The territorial agencies of architecture and urban planning:

- Review and coordinate relevant projects;
- Commission others to carry out engineering-geological and topographic-geodetic surveys for construction;
- Develop schemes for the integrated territorial organization of:
  - administrative-territorial and territorial units - with the exception of regions and districts, master plans of cities, regional centres, the city of Minsk, cities of

<sup>97</sup> The main source for this chapter – if not otherwise indicated – is the written answers on the assessment questionnaire 'Urban and territorial Planning in Belarus', and discussions with Ina Laurynovich, Head of Department of Architecture of the Committee of Architecture and Urban Planning of Minsk City Government

<sup>98</sup> According to Article 18 of the Law on Architectural Activity.

regional subordination, and satellite cities of regional centres and other settlements

- planning projects of special local level planning and town planning detailed planning projects – except for town planning projects of special State territories of regulation;
- Ensure the implementation of town planning documentation in the relevant territory as well as compliance with territorial authorities for functional use of settlement territories and other administrative and territorial units;
- Perform other statutory functions.

Local executive and administrative bodies approve schemes for integrated territorial organization of administrative and territorial units. Exceptions include oblasts, urban projects incorporating elements of territorial planning at the local level, and urban projects involving detailed planning. The President approves the State scheme of integrated territorial organization, schemes for integrated territorial organization of regions, and the master plans of the city of Minsk and regional centres.

The Government approves master plans for cities of regional subordination. Exceptions include regional centres and satellite cities, city-planning projects with special State regulation, as well as projects for development of social, industrial, transport infrastructure of national significance. Local authorities approve schemes for the integrated territorial organization of administrative-territorial and territorial units, with the exception of oblasts, special city-planning projects at the local level, and detailed city-planning projects. Urban plans developed in this way include a set of scenarios, based on a thorough analysis of demographic, social, economic and environmental trends, that consider the critical linkages between land use and transport.

### *Resources for planning*

Resources to carry out planning are financed from the State budget. They include the State Scheme of Comprehensive Spatial Planning, the Scheme of Comprehensive Spatial Planning of regions and administrative areas, and urban master plans for regional centres and towns of regional subordination.

As mentioned, the overall strategic spatial concept of cities is determined by master plans. These identify priorities, objectives and formulate a strategy of integrated urban development. Instead of each local authority having their own technically equipped urban planning department, they are customers of State institutes which are established under the ministries that develop master and detailed plans. The two main research and project organizations are:

- Unitary Enterprise “BELNIIPGRADOSTROITELSTVA” - the Institute for Regional and Urban Planning of Belarus, which provides planning for cities and regions of the Republic, except Minsk;
- Unitary Enterprise “MINSKGRADO” for the city of Minsk.

Detailed urban plans are usually developed by regional development institutions and local architectural companies, which have the relevant certificates of conformity to carry out urban development activities. GIS services are also provided by the Government and the State cadastre is established at national, regional, city and district levels. These institutions and companies are responsible for registering city plans, documenting general and detailed planning, regulating city-planning development and use of territories, as well as responsibilities not included in other State cadastral and registration systems. The State land cadastre ensures rational use and protection of land, rights of owners, land users and tenants, and establishes an objective basis to determine land prices, land tax, and rental payments.

### *Public participation*

The public is involved in the preparation, implementation and monitoring of urban and territorial plans through participation in public debate on urban development projects. NGO representatives are invited to consultations, thematic meetings and seminars on urban spatial development. They can also submit electronic requests on official websites.

In Belarus there are regulations for the following procedures:

- Public consultations on architectural, urban planning and construction activities,<sup>99</sup>
- Organizing and conducting public consultations of draft environmentally-significant decisions, environmental reports on strategic environmental assessment, environmental impact assessment reports, and discussion of accepted environmental decisions.<sup>100</sup>

The Law on Architectural Activity states that a public discussion of town-planning projects must be carried out before they are submitted for State examination. The purpose of public discussion is to inform individuals and legal bodies about architectural, urban planning and construction activities. It also gets their participation in discussion and decision-making on issues of urban development planning of territories and their improvement. Public discussion is organized by the relevant executive committees and local administrations of city districts.

“Regulations on the procedure for conducting public consultations in the field of architectural, city-planning and construction activities” establish the procedure for

<sup>99</sup> Approved by the Resolution of the Council of Ministers No. 687 of 1 June 2011.

<sup>100</sup> These were approved by Resolution of the Council of Ministers No. 458 of 14 June 2016.

conducting public consultations in these areas of activity. Currently, a new version of the regulations is being prepared, taking into account changes to various stakeholders in the urban planning process. A public discussion of urban planning projects includes placing information on the State’s website, publishing notices for comment in the local mass media, and placing project exhibitions in publicly accessible premises.

Public participation is necessary for sustainable development of an inclusive urban environment, taking into account the interests of various target groups of the population and business. The adoption of this urban planning approach can be considered an important shift towards the democratization and decentralization of the planning process, in comparison with previous approaches. However, it must be recognized that the practice of consulting with the public, community organizations and the business community, is not fully regulated. It is not uncommon for conflicts to occur during public hearings of already-developed master plans. These are generally between local authorities, designers and inhabitants, especially concerning consolidation of buildings, construction of roads, reduction of green areas, or demolition of individual houses.

According to the new version of the Public Discussion Regulations, public discussion participants can form two initiative groups of inhabitants, legal bodies and entrepreneurs living in the territories affected by urban planning projects. The new edition of the Regulations also improves the procedure for conducting public consultations on the territory of several administrative-territorial units. It adds to the functions of the public discussion organizer regarding preparation of substantiated responses to comments from participants, placement of public comment materials, clarified requirements for comments, and suggestions from public comment participants.

Civil society participates in the preparation, implementation and monitoring of urban and territorial development plans through public debate. Representatives are invited to participate in consultations, thematic meetings and workshops on urban area development. Inhabitants can also send requests to official websites of the development projects.

The Regulation on the procedure for conducting public consultations for architectural, urban planning and construction activities, has been amended and supplemented to ensure full participation of all interested groups.

Effective, equitable stakeholder participation is supported by local authorities, in particular for local population, civil society organizations, and private sector, in preparing

and implementing territorial development plans. They do this by creating appropriate mechanisms and involving representatives of civil society to consider their needs throughout the planning process. According to the Law on Architectural Activity, a public discussion of urban development projects is held prior to the submission of such projects for State expert review. Project investors are also required to hold a public discussion. This is held after the developers post announcements on their websites and local mass media about the conduct of public comment, as well as placing their project documentation in places accessible to the public.

Although the public discusses urban development plans, this is not a formal requirement at all stages of the planning process. For example, public participation is not involved in defining a common vision of a territory and determining priorities for urban development projects. Civil society is not involved in implementation of urban development plans – the responsibility for this lies with local executive bodies. Nonetheless, sometimes proposals on these issues are submitted by some target groups in the manner prescribed by law. Proposals from the public for amending city planning documentation of various types and levels are received by the Government, the Ministry of Architecture and Construction, local authorities, as well as design institutes.

To conclude: according to Belstat, 78.08 per cent of the country's population lives in cities, making Belarus the most urbanized country of all post-Soviet republics. However, the strategic documents of cities and other settlements are not yet designated as key objects of State administration and regulation. There is no proper relationship between territorial and socio-economic planning. Even with widely recognized success in urban planning, a country needs to regularly review its policies and update planning policies and practices to work with new challenges and opportunities. The limited resources for investment and capacity development make the need for more efficient, rational and targeted use of resources even more relevant.

This chapter highlighted many challenges for urban planning and development in Belarus. These include lack of territorial resources in urban areas, expansion of cities into green areas, dilapidated manufacturing areas in central parts of the cities, lack of social infrastructure in new residential areas, ageing basic infrastructure, traffic jams and lack of parking areas in Minsk and other big cities and coping with the demand for affordable housing. Successfully tackling relevant tasks and using opportunities for the economy, social integration and the environment is possible through the development and implementation of the State urban planning policy. A comprehensive planning process, which is carried out under the leadership of the State and with the participation of various departments, can contribute to the solution

of problems and the use of opportunities, the search for solutions, their application, and monitoring implementation.

## Recommendations

The Government is recommended to:

- **Continue the implementation of the main directions of the state urban planning policy of the Republic of Belarus for 2016-2020 and develop an urban planning policy for the next five years.** Following a set of sequential decisions at the State level, urban planning policies can more effectively support and coordinate policies in individual sectors for further investment and urban planning. In addition, the State urban planning policy can be used to achieve the UN Sustainable Development Goals, the New Urban Agenda, and the UN Geneva Charter on Sustainable Housing in Belarus.
- **Consider the possibility of formulating a plan of measures for the development of regions that will contribute to an even distribution of labour resources in the country and, accordingly, curb the growth of the population of Minsk and the capital region.** An urgent task is the development by the Minsk Regional Executive Committee and the Minsk City Executive Committee of the territory management plan. This is the purview of the Minsk Regional Executive Committee but covers territories adjacent to the city of Minsk for which the city has significant influence. The plan can be based on the territorial planning scheme of the territories adjacent to Minsk up to MKAD-2, the ring road around the second ring. The scheme will solve three main tasks:
  - Exclusion of the territorial growth of the city of Minsk due to the establishment of a zone around the city with a limited nature management plan and other economic activities (the “green belt”);
  - Concentration of resources to improve the living conditions of inhabitants in the existing settlements in the “green belt”;
  - Development, increasing the role of territories in the “green belt” zone, located along main transport communications.
- **Consider the possibility of a capacity development programme for city planning and regional planning bodies in the Republic of Belarus, as well as capitalize on the willingness of national and local authority representatives, as well as other interested persons, to exchange information and opinions.** There is a great need to share knowledge and experience.

An aerial photograph of a city, likely St. Petersburg, Russia, showing a wide river (the Neva) winding through the urban landscape. In the foreground, there are several large, modern apartment complexes with colorful facades (orange, blue, and white). The sky is overcast with dark, heavy clouds. The overall scene depicts a dense urban environment with significant infrastructure and housing developments.

5.

LAND ADMINISTRATION  
AND MANAGEMENT

## 5. LAND ADMINISTRATION AND MANAGEMENT

### Land policy and governance

Significant progress in land administration has been made since the last Belarus Country Profile in 2008. Most of the recommendations were followed up and have led to much more effective land administration. The policy framework has been improved, as has the quality of registers and registries of the State land cadastre. These include the real estate register, land value register, land plots, unified register of administrative-territorial and territorial units, including the address and price register. All of this has particularly improved the information supply from internet portals concerning spatial and administrative data from various registers.

The progress towards sustainable land administration is demonstrated by the World Bank's "Doing Business"<sup>101</sup> rating for 2018: rank 38. The indicator 'registration of property' is especially important, with Belarus in fifth place in the world, as well as the 'quality index of the land administration system': 23.5. In addition, both the housing and financial markets are doing better compared to 2008: house prices and transaction rates went up and interest rates for mortgage loans went down.

This section will present an overview of land policy, its regulatory framework, and other issues in land administration. It will also include information on special items such as dispute resolution.

#### *Characteristics of the land policy*

In the Republic of Belarus there is a principle of compulsory State registration of land, rights to land, and land transactions. Also subject to State registration are mortgages of immovable property objects, including land plots, and pledges of rights to them. Ninety-two per cent of land is publicly owned by either the State or regional and communal authorities. Currently there is no strategy for privatization of publicly-owned land.

Land management is controlled by the State, unless there is a legal warrant to the contrary. At several levels there are zoning plan initiatives or plans to set up structures which improve rural area livelihood, implementing land reallocation and consolidation to improve agricultural conditions.

"Designation of land use" is registered for each piece of land. The land of the Republic of Belarus is divided into the following categories:

- Agricultural land;
- Settlement land;
- Gardening partnerships;
- Dacha<sup>102</sup> cooperatives;
- Land for industry, transport, communications, energy, defence and other purposes;
- Land for environmental, curative, recreational, historical and cultural purposes;
- Forest land;
- Water fund lands;
- Reserve lands.

One of the basic principles of land relations and obligation of land users is the use of land for its intended purpose. Use of land is actively monitored and violation of regulations can be punished by confiscation.

The State land cadastre data is public, except where confidential to protect citizens' rights or proprietary State information. Use of land parcels is fee-based, except for some user categories such as pensioners and organizations supporting infrastructure or cultural objects.

According to the Land Code,<sup>103</sup> land may be held by users with the following rights:

- Public and private property, as well as the right of ownership of foreign states and international organizations;
- Lifelong inherited possession;
- Permanent use, or use without a predetermined period;
- Temporary use;
- Lease or sublease.

There is no State policy governing transfer of plots to private ownership. Also, when applying for a land plot, a citizen independently indicates the basis for which the land will be provided.

Privately owned land parcels may be subject to mortgages, while the right to lease land parcels may be pledged only as collateral under bank loan agreements specified by legislative acts by agreement with other organizations. "On withdrawal and provision of land plots" defines categories of citizens to whom land plots are given without payment, or paying only 20–50 percent of the land plot cadastral value.<sup>104</sup>

<sup>102</sup> A residence in the country, usually small dwelling for temporary (seasonal) living.

<sup>103</sup> Part 2 of article 3.

<sup>104</sup> Paragraph 10 of the Presidential Decree No. 667 of 27 December 2007.

<sup>101</sup> Available at <http://www.doingbusiness.org/>

### Land development

In general, agricultural policy aims to support large-scale production. Unfortunately, in some regions such as Vitebsk the land is very fragmented, but this is generally caused by hilly terrain, steep slopes and rivers. In other places, such as Brest and Grodno, the parcel structure, the shape and size of the parcels and number of parcels owned by one farmer, support large-scale agriculture. The programmes for agricultural improvement include measurements used to recommend consolidation. Consolidation of land occurs mainly due to merging inefficient farms with larger ones. The State has set up Agrogorodki: centres of agriculture. The main goal of these centres is to improve social cohesion, cultural aspects, trade, and agricultural production.

Apart from improvement of land parcel structure in agriculture regions and land development in industrial zones, more freedom for entrepreneurs to start and expand businesses could be given. There is also a need to privatize State Enterprises at a faster pace, as the rate of privatization is very low. The Government is willing to make these steps in the near future.

An industrial park of 112.5 km<sup>2</sup> is under construction near Minsk city. The park is an international project, a modern eco-city, open to companies from every country. The park's shareholders are not only Belarus, but also China and Germany.

Spatial planning is carried out at the district and city levels. General plans are well-developed and available on the GIS portal. Examples of planning needs include:

- Ensuring national security, environmental protection and historical and cultural heritage, locating and servicing social, industrial, transport, and defence infrastructure facilities;
- Developing mineral deposits;
- Implementing international treaties, investment agreements between investors and the State registered in the State Register of Investment Agreements, the end scion agreements, the State scheme for integrated territorial organization, schemes of the integrated territorial organization of regions, city-planning projects, master plans for cities and other settlements;
- City-planning projects for detailed planning, land management schemes for areas approved in accordance with the legislation, as well as the allocation of real estate whose construction is ordered by the President, the Council of Ministers or programmes approved by the President or the Council of Ministers. Land users are reimbursed for losses, including losses of agricultural or forestry production.

### Land reform and market

Land reform in the Republic of Belarus began with the legislative framework to formalize State policy. The implementation of land reform has changed legal methods of influencing land relations.

Subsoil, water, and forests are the exclusive property of the State, as is agricultural land.<sup>105</sup> State control over the use and protection of land enforces compliance from all citizens, individual entrepreneurs and legal bodies with established procedures for land use, land plots, and other laws on the protection and use of land. State control over the use and protection of land is carried out by regional, Minsk, city, district, village, village executive committees directly or through their land management services, the Ministry of Natural Resources and Environment Protection and its territorial bodies, as well as other State bodies.

One of the responsibilities of land users is to use land for its intended purpose. If the land is used for any other purpose, it can be withdrawn.<sup>106</sup> Land plots are generally provided based on auction results, or special cases where land plots are provided without holding auctions.

Land plots may be held by land users with the following rights:

- Public and private property;
- Right of ownership of foreign states and international organizations;
- Inherit possession;
- Permanent use or use without a predetermined period;
- Temporary use;
- Lease or sublease.

Land plots may be leased to citizens, individual entrepreneurs, legal bodies, foreign legal bodies and their representative offices, foreign states, diplomatic missions and consular institutions of foreign states, as well as international organizations and their representative offices. Undeveloped land plots may be privately acquired only by an auction conducted by the State. Basically, there are two different options to privatize land from the State:

#### a) Individual request to buy

Formation of a new land plot starts with a request to the district Executive Committee. This asks Belgiprozem to prepare a document describing the plot, including a map showing its boundaries. When this is delivered, the Executive Committee takes a decision and informs the owner. The price of the plot will be determined based on the location: if in Minsk city it will be up to USD 100/m<sup>2</sup>, if elsewhere, around .....

<sup>105</sup> Article 13 of the Constitution.

<sup>106</sup> Presidential Decree No. 667 of 27 December 2007 "On the withdrawal and allocation of land plots".

USD 10/m<sup>2</sup>. The document will be the basis of a new record in the land register. The price is about USD 200, and the procedure takes 1 month, plus 2-7 days for registration of the plot in the land register.

### b) Group of plots to be sold

A municipality can decide to extend a village, preparing an updated zoning plan showing the village extension and the change to land use. A private surveying company prepares a development plan that shows the design of the new plots, roads, and utilities. The plots can be sold at an auction, and the highest bidder will be the owner of the plot. The individual plots will be described with reference to the new owner, and the document will be the basis for a new record in the land register.

Citizens and legal bodies can also lease or rent land from the State. Foreigners can only rent or lease private land. Undeveloped State land is leased to farmers for years or decades. The price is based on location, cadastre cost, district, and demand coefficient, all based on Presidential Decree. Price levels vary significantly: for built-up land EUR 18,000/ha/year, and agriculture land EUR 75/ha/year.

### Housing market

The housing market is well-developed, and the number of real estate transactions is growing every year, though the absolute number is still low. Citizens can purchase houses independently or with the involvement of real estate agencies at market value. The leading information portal on real estate (see <https://realt.by/sale/cottages/>) contains information on more than 9,000 individual houses for sale.

On 31 December 2017, 29.9 of real estate objects were publicly owned. They included the following types of immovable property: land parcels (80.1), permanent structures (10.9), and isolated premises (2.1).

Compared to the number of real estate objects, the number of sales contracts is rather low. There are only 727 registered mortgage contracts, which is exceptionally low. This implies that, although conditions for mortgaging a property are getting better, citizens are still very reluctant to arrange a mortgage.

### Financial market

Though the legislation does not refer to a mortgage market there clearly is one in practice, and the conditions for its healthy function are developing positively. Interest rates are going down quite rapidly, mainly due to reduction in the refinancing rate from 18 per cent on January 2017 to 10.5 per cent on July 2018. In April 2018, banks offered to purchase housing with a mortgage at an average rate of 14.12 per cent, and for those needing to improve their housing conditions, a rate of 8.25 per cent.

Dynamics of transactions are developing positively taking into account the refinancing rate, which is the basis for the mortgage rate for residential multi-apartment real estate. From beginning of 2016 to 2018 there has been a drop in refinancing rates from 25 per cent to 10 per cent.

Mortgage lending is developed in relation to the residential real estate market. Other financing schemes such as collateral for loans are applied to other types of real estate. Some figures on the implementation of transactions with real estate involving non-mortgage borrowed funds are shown in Table 16.

**TABLE 16**

### Share of lending with security, 2017

(Percentage)

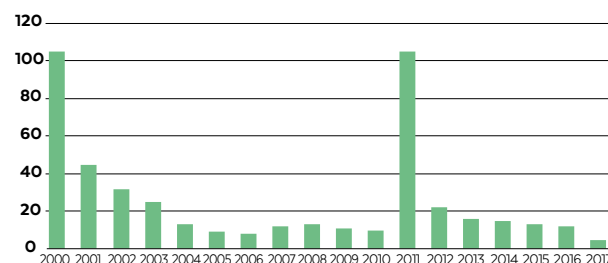
Property type	Share of transactions
Production	55
Warehouse	45
Offices	24
Trading	16
Apartments	11

Source: National Statistical Committee of the Republic of Belarus – Belstat.

The level of interest rates for acquisition of real estate with loans is influenced by economic processes taking place in the country, particularly inflation and foreign exchange rates (see figure 14). The annual inflation rate has shown two extremely high peaks of over 100 per cent, in 2000 and 2011. After 2016, inflation dropped significantly and was, in 2017, at a more modest rate of some 5 per cent, but still above 2 per cent, which is considered the more desirable level.

**FIGURE 14**

### Annual inflation rate, 2000-2017



Source: National Statistical Committee of the Republic of Belarus – Belstat.

Generally, the financial sector is improving, and the sector's stability is satisfactory, based on inflation, interest rates and housing market. This is also demonstrated by the official



rate of the BYR to USD staying relatively stable over the last 4 years.<sup>107</sup>

### Regulatory, legal, institutional and technical frameworks of land management

Land is regulated by the Constitution, legal acts of the President, the Land Code, and other legislative acts. The Belarusian legislation regulates all procedures in real estate registration, use and turnover.

Registration system bodies include authorities at all levels, as well specialized bodies and the State Property Committee. The latter has dedicated agencies for geodesy, mapping, land surveying, IT development and information infrastructure maintenance.

The *Programme for Development of State Registration of Immovable Property, Rights Thereto and Transactions Therewith* is due to be finalized in 2018. It will improve the quality of the single register of real estate, step up registration actions, implement the 'single window' principle, promote electronic services and improve data quality.

#### Regulatory framework

The land registry and cadastre are important basic functions and vital parts of the national infrastructure. According to the World Bank's *Doing Business 2016* report, Belarus was ranked 7<sup>th</sup> in the world on Registration of property. Later, Belarus increased to place 5 in the World Bank report "Doing Business 2018", due to simplification of real estate transfer by increased transparency and reliability of the land administration system.

The most important bodies in the State registration of land plots are:

- The registrars of territorial organizations for State registration who directly perform registration actions;
- The National Cadaster Agency (NCA) which provides methodological and general management of the activities of territorial organizations for State registration;
- The Republic Unit Enterprise "Design Institute Belgiprozem" and its land management organizations, which prepare technical documentation on the establishment of land plot boundaries.

Notaries and solicitors have not played a significant role until recently. Since July 2018, amendments to the law on registration have taken effect. In 2018, Belarus introduced the institution of authorized intermediaries: lawyers, realtors, notaries and other authorized persons. These can provide services: sending applications to territorial organizations for State registration, making corrections to real estate register

<sup>107</sup> Available at <http://www.nbrb.by/statistics/rates/ratesdaily.asp>

documents, providing information and documents from the real estate register, and making notes in the registration book.

Most interaction between the various registering parties in real estate transactions is still in paper form. However, a programme for the development of State registration system of immovable property, rights to it and transactions with it, for 2014–2020, provides for the transition from paper to electronic transactions.<sup>108</sup>

Belgiprozem prepares technical reports on new or updated plots. The registrar checks the content of the report and makes sure that the contract is in line with it, or sends it back to Belgiprozem's surveyor. Based on the technical report, the cadastral map is updated. Technical reports are scanned and archived, but the conveyancing and recording process is not yet fully digitized.

Currently 85 per cent of agricultural land is registered, but by 2019, all buildings should be in the buildings register. Underground utilities are a problem, because these are not easy to map, and often difficult to establish. Belgiprozem maps land plots by using of aerial photos.

#### Statistics related to the registration of real estate

As of 31 December 2017, the total number of transactions recorded in the real estate register is almost 85,000. Over 40 per cent of land transactions pertain to the sale of real estate. Nearly 30 per cent are registrations of lease contracts, and 25 per cent are the registration of gifts. Other transactions only account for 4 per cent and are mainly marriage contracts, mortgage contracts, exchange of parcels, and privatization.

#### Legal framework

The Law on State Registration of Immovable Property, Rights Thereto and Transactions Therewith (No. 133-Z of 22 July 2002) defines rights and restrictions as well as transactions within the territory of the Republic, and establishes the legal framework for State registration of immovable property. Presently, land transfers in Belarus are regulated by major laws.<sup>109</sup>

<sup>108</sup> Approved by the Resolution of the Council of Ministers No. 874 of 11 September 2014.

<sup>109</sup> Presidential Decree No. 667 of 27 December 2007 "On Seizure and Allotment of Land Parcels"; Resolution of the Council of Ministers No. 462 of 26 March 2008 "On Some Measures for Implementation of Decree of the President No. 667 of 27 December 2007"; Resolution of the Council of Ministers No. 1780 of 30 December 2011 "On Adopting the Regulation on the Procedure for Changing Land Parcel Designation"; Resolution of the Council of Ministers No. 1781 of 30 December 2011 "On Adopting the Regulation on the Uniform Procedure for Registering Citizens Seeking to Obtain Land for Construction and Maintenance of Single-Family Detached Residential Buildings"; Resolution of the Council of Ministers No. 260 of 29 February 2000 "On Adopting the Regulation on the Procedure for Locating Intra-Farm Constructed Facilities on Agricultural Land"; Resolution of the State Property Committee No. 30 of 29 July 2015 "On Defining Land Surveying Bodies Located in Relevant Territories and Performing Certain Types of Work in accordance with Decree of the President No. 667 of 27 December 2007 (On Seizure and Allocation

These acts of the Belarusian legislation are fairly elaborate and regulate all main procedures necessary for registration of land parcels or use and transfer of immovable property. The *Development Programme of the State registration system of real estate, titles and transactions for 2014-2020* was developed and implemented by the Resolution of the Council of Ministers No. 874 on September 11, 2014. The purpose of this Programme is to improve quality in registering real estate, speed up registration actions, implement a one-stop-shop principle, develop electronic services, and improve data quality.

### Dispute resolution

Land disputes, except for the disputes stipulated in part two of this article, are settled by executive committees of the city of Minsk, other cities, districts, villages, or in court. If related to private ownership or inheritance of land parcels, land disputes are settled by judicial procedure. This is done either among parties of joint land tenure, between people who share ownership of permanent structures, or to reimburse losses.

Each of the parties involved in a land dispute before the relevant regional, Minsk city,<sup>110</sup> city, district, village, or town executive committee has the right to read materials on the subject of land dispute, make copies, submit documents and other evidence, and file petitions. They can give oral and written explanations, oppose petitions and arguments of the other party, receive a copy of the judgement, and appeal to a superior executive committee or the court within a month after receiving the decision.

Decisions on land disputes are executed by the relevant executive committee or other State bodies in accordance with their respective powers. Persons who violate legislation on the protection and use of land are personally liable, in accordance with legislative acts.

### Institutional framework

The Land Code and other laws give State regulation and management in land use and protection to the President, Council of Ministers, State Property Committee, other designated national Government bodies, oblast (region), Minsk city, town oblast and district centres, rural and village executive committees.

The system of public bodies responsible for State registration includes the State Property Committee (Goskomimuschestvo), the National Cadastral Agency, and local agencies for State registration.

The main functions of the State Property Committee are to conduct unified State policy land relations, geodesic and mapping activities, naming of geographical locations, and State registration of immovable property, its rights and transactions. It oversees property relations, including management, disposal, privatization, evaluation and accounting of property owned by the Republic except for privatization of State-owned housing. It keeps correspondence, records and registers, as well as regulation of geodetic and cartographic activities and land development, creating conditions for the development of organizations of all forms of ownership to carry out these types of economic activity.

*The National Cadastral Agency* is part of the public system operating in land administration. Its functions include registry of titles, real estate formation, overall and individual real estate evaluation, as well as real estate market monitoring and analysis. The agency performs many functions, including:

- Establishing and maintaining a unified State register of immovable property, its rights and transactions, and other registers and records;
- Cadastral and expert evaluation of real estate and other property;
- State registration and technical inventory of real estate;
- Development of automated information systems, technology and software;
- Methodological assistance, control over registrars and their performance review;
- Provision of information and documents from the unified State registry of immovable property and State land cadastre.

*Local State registration agencies* are unitary enterprises<sup>111</sup> employing registrars. These exercise powers regarding immovable property located within their registration districts.

*National "Design Institute Belgiprozem"* is an important institute in land administration and focuses not only on land management but is also part of the registration system. Belgiprozem also plays a role in mapping by preparing technical reports and checking the quality of the cadastral map. It carries out land management and geodetic works, providing services in land surveying and other relevant functions. It includes six affiliated enterprises in the cities of Brest, Vitebsk, Gomel, Grodno, Minsk and Mogilev. It developed important internet portals, where various layers

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of Land Parcels"; Resolution of the State Property Committee No. 36 of 18 September 2015 "On amending the Resolution of the State Property Committee No. 30 of 19 July 2015"; Resolution of the State Property Committee No. 45 of 3 December 2015 "On amending the Resolution of the State Property Committee No. 30 of 29 July 2015"; Resolution of the State Property Committee No. 18 of 30 September 2016 "On Adopting the Instruction on the Procedure for Dividing, Merging Land Parcels and Demarcating (Re-Demarcating) and Fixing Land Parcel Boundaries, as well as for Changing the Boundaries of a Land Parcel"; and the "Land Code".

<sup>110</sup> Minsk city has a special status; it is equal to regions. Belarus is divided into six regions and Minsk city (Minsk city and Minsk region).

<sup>111</sup> A unitary enterprise is a government-owned corporation in Russia and some other post-Soviet states.

of maps provide information on land registry, agriculture, topography and tax value.

Government agencies' decisions, including rejections of applications for land parcel grants, can be appealed to superior bodies, or in court. The "Design Institute Belgiprozem" is subordinate to the State Property Committee.

Since the disintegration of the Soviet Union and the independence of Belarus, enterprises and agencies involved in the system of land registration have been gradually improving their performance. Presently all bodies are fully staffed, geodesic, photogrammetric and computing equipment is continuously updated, while design and survey technologies are constantly enhanced.

The registrar implements the registration procedure. Real estate registrars must meet certain legislative requirements: education, compulsory onsite training and compulsory performance review. They are certified by an exam committee under State control. The registrar is an independent agent representative for drafting contracts of sale, mortgages, and so on. They are commercially employed, but under full State control.

Registrars have exclusive rights to enter information into the Unified State Register of Immovable Property, Rights Thereto and Transactions Therewith (USRIP). Only they can present contracts related to real estate and land to be recorded in the registers of the Real Estate Register. By the end of 2017, there were 639 real estate registrars operating in the country.

In general, citizens are satisfied with the registrars' work, and they are seen as credible. However, direct contact between the registrar and customers is seen as potentially problematic. This problem can be solved through development of front offices, providing services electronically via the internet, and extraterritorial query and application processing.

### Technical framework

Belarus has a unified real estate database containing information on land parcels, constructions, unfinished constructions, isolated premises and parking lots, as well as enterprises as asset packages and their rights and transactions. Information is added to the register as registration is carried out, and as documents are amended, in accordance with the Law "On State Registration of Real Estate, Rights to It, and Transactions with It". In 2009, the register was recognized as the primary information resource.<sup>112</sup>

As of December 2017, the real estate register contained information on 7,781,020 real estate units: 32 per cent were land parcels, 30.6 per cent were constructions, and 37.4 per cent were isolated premises. In total, 785,244 applications for State registration of real estate, rights, and transactions were submitted to State registration and cadastral agencies in

2017. Registrars performed 1,396,653 registration operations based on submitted applications.

USRIP is a complex information resource encompassing several databases, including registrar registry, registry of experts on technical inventory and properties of real estate, classifier registry, verification centre, system of electronic documents interchange, as well as registry of bodies for State registration of immovable property and its rights and transactions.

In Belarus, electronic services to market players and households are provided in real time through remote access to the USRIP or as a deferred e-service (see table 17).

**TABLE 17**

#### Number of e-services and their dynamics, 2013-2017

Type of service	2013	2014	2015	2016	2017
Electronic services	2 158 108	2 537 014	3 176 393	3 873 661	4 638 096
Electronic services via nationwide automated information system	n/a	n/a	n/a	7 519	262 824
External bodies' corporate networks	6 253 194	6 029 851	7 164 671	11 053 019	16 098 310

Source: NCA Annual report 2017, p. 22, <http://nca.by/image2/godovoy%20otchet%202017.pdf>

The land information system (LIS) is used for land-surveying data support and automation, as well as maintenance of the State land cadastre, including corporate accounting of land availability and allocation. The LIS ensures automated accumulation, processing, storage and retrieval of electronic data on status, as well as distribution and use of land - including by means of geoinformation technologies. The LIS database contains information on the actual condition and use of land and encompasses spatial and attribute data of land-surveys, and their cadastral and topographic nature. The system contains information on:

- Land parcels, their boundaries and location by administrative units;
- Restricted land use areas;
- Land user data;
- Land types, land ameliorative conditions and topsoil;
- Photo images;
- Other thematic layers.

<sup>112</sup> Resolution of the Council of Ministers No. 673 of 26 May 2009.

The LIS provides information on land use in Belarus' rayons (districts), oblast centres (regional capitals) and the city of Minsk. A 1:10,000 scale is used for district LIS and a 1:2,000 scale is used for oblast centres, the city of Minsk and administrative centres of districts. The LIS Geoportal is intended for Government bodies, ministries and institutions, legal bodies, land-survey experts and other interested parties.

The State registration system is being constantly improved in accordance with the Development Programme for 2014-2018 (see table 18).

**TABLE 18**

**Target parameters of the State registration system after Programme implementation**

Benchmark indicator	2013	2018
Time scale of maintenance of USRIP	Relative scale (24 hours)	Real scale (seconds)
Minimum period of State registration	2-7 working days	Up to 1 hour for certain administrative procedures
Coverage ratio (ratio of the total area of land parcels recorded in the unified State register of the Republic of Belarus), percentage	21.2	60
Integrity of the USRIP, percentage	0.26 - 0.96	More than 0.95
Number of authorized intermediaries	0	More than 15
Completeness of electronic archives of legally significant documents, percentage	More than 1 of the newly submitted documents	99 of registration cases for real estate objects in respect of which the State registration of their creation was carried out and which are uploaded electronically in a digital archive
Share of applicants who submit documents for State registration in an electronic format, percentage	More than 1 of the newly submitted documents	75

*Source:* Programme of Development of the System of State Registration of Real Estate for 2014-2018, p. 60 (available at [http://nca.by/image2/god\\_otchet/2018/razvitie-poysnitelnaya-zapiska.pdf](http://nca.by/image2/god_otchet/2018/razvitie-poysnitelnaya-zapiska.pdf)) and Resolution of the Council of Ministers of the Republic of Belarus No. 742 of 17 October 2018,<sup>113</sup> p.4.

The State geodetic network of Belarus is part of the State geodetic network of the former USSR, the creation of which

<sup>113</sup> "About the modification and additions in the Resolution of the Council of Ministers of the Republic of Belarus No. 874 of 11 September 2014."

took years and was based on traditional observations with optical instruments. Currently the key task of the State Property Committee in the field of geodesy is to modernize the State geodetic network to use global satellite positioning for economic and scientific purposes.

In addition, the country has a network of continuously operating reference stations that are actively used for cadastral and land-surveying works.

## Geospatial Information

### Information supply

For transparency, information on real estate must be open to all citizens, businesses and foreign stakeholders. Dissemination of information via well-designed on-line information portals is a vital part of this. Belarus made a start in opening registers for public inspection, including registers of the State land cadastre. In the following sections an overview of the available information sources is presented.

All geospatial information is stored in 20 layers. Belgiprozem this in a database refreshed with base data at frequent intervals. The cadastral information is updated every two months. Web services will become available soon, allowing information to be obtained using cadastral identification number, settlement, or the name of the owner or leaser. The portal is maintained by 15 staff members.

The main functions of the Geoportal include:

- Providing basic GIS tools to users;
- Publication of maps;
- Data exchange including electronic copies of documents;
- Search queries;
- Map navigation;
- Remote editing of geospatial data;
- Integrating various types of data;
- Display of thematic maps;
- Making measurements on maps;
- Spatial analysis;
- Remote preparation and printing of maps;
- Data publication.

### Public cadastral map

The public cadastral map of the Republic of Belarus and the geoportal are different information resources. The map is intended to inform users, and is available online, presenting information from various registers including registers and registries of the open-access part of the State Land Cadastre.

The digital map presenting all land parcels in vector-format was put into commercial operation in 2014.

- The public cadastral map contains several layers of information:
- The outline of the capital structure of Minsk, without attributive information;
- Boundaries of assessment zones for cadastral valuation of land plots;
- Cadastral value of land;
- Borders and main attributes of land plots;
- Address points;
- Street network;
- Officially registered administrative boundaries;
- Railway network;
- Rivers;
- Lakes;
- Car roads;
- Zones for banning aircraft model flights.

The cadastral map displays the address, unique cadastre number of the site, area, purpose, and other information. Attributive data can also be obtained via the map by clicking on a specific parcel (see figure 15).

**FIGURE 15**

**Screen shot of cadastral map with a window on attributive data**



The access of all interested persons to the public cadastral map is organized online. In peak periods there are up to 10,000 information requests per day. Usage is increasing rapidly: there were 63,000 users from 80 countries all over the world in 2014, 136,000 from 111 countries in 2015 and in 2016, more than 226,000 from 96 countries.

### *Cost register of land and land plots*

Land value information can be obtained in a separate portal (see <http://vl.nca.by/>). The new open-access version of the value register with cartographic interface was launched in 2017, and its main purpose is to provide information on the

cadastral value of land. In addition, when searching for the site cost, the user receives associated attributive information from the property register: address, purpose and land area.

### *Other maps and photographs*

Aerial photographs are available for large parts of the country at 5 centimetre precision. Digital topographic maps are available for the whole country at 1:10.000 scale, and include forest and agriculture land. Soil survey maps are available, showing the value and quality of agriculture land.

A special GIS-application is available, showing land plots, agrochemicals, land use, land management, crop rotation, history of crops produced, and fertilizer application history.

### *Framework for geospatial data*

The national law refers to authentic registers and a standard data infrastructure. However, the National Spatial Data Infrastructure (NSDI) is not fully implemented in structural way. The EU-standard for geospatial data acquisition, storing and dissemination, INSPIRE is not currently used as basis for the NSDI, but the National Academy of Science is working on a strategy plan. Five organizations are involved in setting up a pilot: Ministry of Forestry; Ministry of Natural Resources and Environmental Protection; Ministry of Emergency Situations; State Property Committee; and Ministry of Agriculture and Food.

Though the law states that duplication of data sets must be prevented, and people must not be bothered several times for the same information, a system of several registers is in use. The registers for land, taxation, address, and so on are all considered as key or authentic registers. In practice, not all specific elements of a key register are present, however they do include legal framework, quality requirements, and reporting of errors.<sup>114</sup>

Standards are well-established for general work processes including standard electronic forms, technical code, instructions, methods and guidelines, Ministry of Justice and State Property Committees, and a quality system.

The legislation refers to basic public information resources, which include information resources intended for shared use of information by everyone within their rights or powers. However, State information cannot be said to be truly shared by everyone when the State has a monopoly on the initial description and identification of information objects.<sup>115</sup>

Currently, the law sets out the following basic public information resources:

<sup>114</sup> Approved by the Resolution of the Council of Ministers No. 673 of 26 May 2009.

<sup>115</sup> Sections 4-5 of the regulations on the composition of State information resources, procedure for their formation and use of documented information from State information resources approved by Decree of the Council of Ministers No. 673 of 26 May 2009.

- Unified State register of legal bodies and individual entrepreneurs;
- Information objects from the automated “passport” system;
- Unified State register of immovable property rights and transactions;
- Address register of the Republic of Belarus.

Belarus has a geodetic reference system based on GPS Continuous Operating Reference System (CORS) with 115 fixed points. GPS-services are also available for the private sector. By 2019 all buildings should be in the real-estate register. Underground utilities remain a problem as they are not easy to map, making ownership difficult to establish.

In future more, data will be collected and improved by point cloud acquired by vehicles, satellite remote sensing with higher precision (less than 1 m), big data, and introduction of NSDI standards, but only when cost-effective. 3D-cadastral will be possible, but 2.5D aggregation of floor plans and utilities is more likely.

The Belarusian legislation contains no gender differences regarding the rights to real estate. The property registers could be a good source to measure progress on gender equality, however no data on ownership by women or men is available.

### Evaluating progress made in land administration since 2018

In 2008, the first country profile study was carried out in the Republic of Belarus, and on that occasion a review of the status of land administration was performed, resulting in 12 recommendations. In this section we will evaluate what progress was made up to 2017.

#### 1. Private land ownership should be strengthened.

*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. The right to private ownership of land is set forth in Article 11 of the current Land Code.*

Status: The privatization of State land and properties is still a concern. Major transfers of State land to private ownership are not possible without the development of a concrete strategy for privatization as well as an implementation plan. This can only be achieved if politicians agree to such a development. Nevertheless, from 2008 to 2017, the number of land plots privately owned by citizens and private bodies in inheritable possession, increased 2.3 times. A concrete strategy for privatization should still be developed, along with an implementation plan.

#### 2. 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 – particularly to develop infrastructure and construct social housing.*

Status: Revenues from sale of land to the private sector are small because the privatization programme was not implemented. However, the budget receives income from land tax: USD 295.4 million in 2017. This amounts to 2.6 per cent of all budget revenues and about 5 per cent of social purposes financing in 2017. Therefore, the State receives quite a high income from adequate management of State land.

#### 3. Restrictions on foreign land ownership should be reduced.

*Despite the Presidential Decree No. 667, which allows foreign legal bodies 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.*

Status: Recently there have been strong investments to Belarus from abroad, demonstrating that the climate for foreign investments has greatly improved. See also the “Doing Business” report of the World Bank,<sup>116</sup> which reports positive developments in Belarus. In addition, it is important that the effect of property registration, including land, does not negatively impact doing business. The Republic of Belarus is in 38<sup>th</sup> place in the “Doing Business” general rating, while the indicator for ‘property registration’ is at 5<sup>th</sup> place. There are also negative factors not related to land management, such as ‘obtaining loans’ (90<sup>th</sup> place) and ‘taxation’ (96<sup>th</sup> place).

#### 4. 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.*

Status: Good progress has been made. Coverage of registered properties is now over 60 per cent, which illustrates that the process of formation and registration has been supportive. See also the “Doing Business” report where improved efficiency in registration has been credited. In particular, there are only 2 procedures for registration of property in Belarus (5.3 on average for Europe and Central Asia) and it only takes 3 days (in comparison with 20.4 on average for Europe and Central Asia).

<sup>116</sup> Available at <http://www.doingbusiness.org/content/dam/doing-business/media/Annual-Reports/English/DB2018-Full-Report.pdf>

### **5. E-land administration should be further facilitated.**

*Modern information technologies for State authorities should 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.*

Status: Good progress has been made but much still needs to be done. The information supply via electronic portals is an especially positive achievement, along with implementation of the one-stop-shop or Single Window principle. For example, when registering new land plots and titles, documents are now transmitted electronically through a geoportal. The popularity of electronic services is constantly growing – for example, the number of applications to services providing information about real estate and titles increased by 29 per cent in 2017 compared with 2016, and by 370 per cent compared with 2013. Further digitalization of the registration process now needs attention as currently only 38 per cent is conveyed electronically. Use of electronic documents in the chain, electronic conveyancing and lodging are also needed.

### **6. The land tax should be based on land cadastral (market) value.**

*This would promote social fairness and make calculating local budgets easier.*

Status: The taxation value is now much closer to market values. However, it is still calculated according to a complex algorithm rather than being based on real sales prices or average market value. The land tax is based on cadastral value, which is in its turn determined by market data – purchase transactions, offers of sale, and rental offers. The actual data used for modelling is representative: for example, 200 thousand transactions for residential premises in 2015, 50 thousand transactions for the assessment of land under the cottages in 2016, and 50 thousand transactions in respect of commercial real estate in 2017.

### **7. A more flexible mortgage system is needed to make the land market more active.**

*This mortgage system should offer more opportunities to obtain credit for both citizens and legal bodies.*

Status: The condition for a functioning mortgage market has been improved. However, the market is still very weak – the number of real estate transactions with a mortgage is only a few percent. Conditions for better access to mortgage loans should be improved, and the use of mortgages to facilitate real estate buying should be stimulated.

### **8. 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.*

Status: Progress has been made – at local level there is a greater mandate for planning activities. Plans for rural development are regionally implemented in areas where the chance for success are highest.

### **9. An assessment of efforts to strengthen small and medium-sized towns should be planned and carried out.**

*The expansion of these towns (and the agorodki) 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, considering the fact that the urbanization rate in Belarus is now higher than ever before.*

Status: Progress has been made but the number of cases and impact do not seem to have had much effect. According to official data, urbanization in the Republic of Belarus at the end of 2017 reached 78.1 per cent from a figure of 73 per cent in 2008.

### **10. The impact of the development of housing along the E30 transportation corridor should be further evaluated.**

*This development may result in transitional housing,<sup>117</sup> 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.*

Status: No information available.

### **11. 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 virtual State monopoly on planning, with IRUP and Minskgrado being the only two urban planning bodies. The Government should consider taking more advantage of urban planners, including those working in the private sector. 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.*

Status: Clear progress has been made, and this recommendation seems fully accepted by the authorities. More professional planners, including those from the private sector, seem currently involved. However concrete numbers are not available.

<sup>117</sup> A temporary dwelling. The provision of premises to persons temporarily evicted from occupied premises.

### 12. The expansion of Minsk city should be closely monitored.

*Enlargement of the city is both positive and negative: on the negative side, it creates 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 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.*

Status: The development plan of Minsk city is controlled and constantly updated by the national and city authorities. In September 2016, the provisions for Minsk's urban development were updated. The goal is to create an advantageous environment for life, and to ensure sustainable development of the city and Minsk agglomeration. Effective management of the development of Minsk will be implemented by urban planning policies, the plan for the priority zoning of the city, and the system of regulations. The main provisions of urban development are publicly accessible. Conditions have been created that facilitate planning and investment activities.

To conclude, Belarus has made tremendous steps since the country profile study of 2008. Many of the recommendations have been adhered, leading to significant improvement of security of tenure and availability of data on the internet. Cadastre and land management have digitized their processes to a large extent and created a true one-stop-shop service. A good proof is the rank on the "Doing Business" list: in 2017, Belarus achieved 35 for general condition and 5 for land registry.

However, land is still largely public property. Forest and agriculture land are almost exclusively in ownership of State and governmental bodies (Article 13 of the Constitution of the Republic of Belarus).

In general, society has good trust in State organizations and institutions involved in land administration (Property State Committee, NCA, registrars and "Design Institute Belgiprozem"). It particularly trusts registration and cadastral information.

Though overall security of tenure is satisfactory, organizational structure is quite complex and various bodies can cover the same specific product or service, making their roles diffuse.

Land cadastral registers and title registers are administered by the NCA. While receipt and processing of applications from interested parties is at the district level, the preparation and conclusion of contracts for implementation of the actual registration happen in land management organizations. Local authorities do not report directly to the NCAs, but only at the district level to the executive committee. However, they interact with the NCA and the "Design Institute Belgiprozem" in order to monitor and evaluate the land.

Organizations involved in land management show great interest in improving its efficiency, as shown by the development of a geoportal, and the improvement of data quality. They are making serious efforts to automate and translate real estate, cadastral information and land management data into electronic form. For this purpose, "Design Institute Belgiprozem" launched a geoportal with relevant information in 2013.

Taxation on real estate and land in Belarus is accepted as a fair instrument. Belgiprozem delivers the basis for taxation, and appeals are quite rare. The base for taxation however is very complex, and impossible for ordinary taxpayers to understand.

In 2017, interest rates were still high: 14-16 per cent average and 8.5 per cent for dwelling improvement in 2017. However, the mortgage market has greatly improved in recent years, with interest rates dropping, 10.1 per cent in 2018, and the number of mortgages significantly increasing.

Spatial planning is carried out at district and town level. Master plans are designed and available in the geo-portal. Expropriation is used to make land available for construction, and for other land use such as parks and roads. Fair compensation is paid for the value of the land, as well as for the loss of production in future years for agricultural and forest land.

Evolution of legislation in real estate and title State registration, led to institutionalization of the land resource management system which regulates the use and turnover of immovable property across the country. A single data resource on real estate has been established, the public cadastral map is in place, and various e-services for stakeholders are well developed.

All the necessary technical, human resource and legal conditions are in place for data support and automation of land planning, and for maintaining the land cadastre. Furthermore, the State geodetic network continuously improves by using satellite positioning methods within the scope of global satellite positioning systems.



## Recommendations

The Government is recommended to:

- **Consider privatizing State land.** Though no plans have been developed to privatize land, it would be a good idea to anticipate a privatization scheme and liberalization of the land and real estate market, with easier land ownership for non-residents. This would enhance economic activity and be a direct source of income for the State.
- **Simplify the process of obtaining the title.** There are legal mechanisms to change inheritable possession of land for a land title. However, this procedure is fee-based, which hampers the landowners' initiative. Therefore, this procedure should be standardized, taking into account real income of the population.
- **Evaluate the position of the registrar.** The Real Estate Register plays an important role in State real estate registration, rights and transactions. Article 17 of the Registration Law establishes registrar independence. The position, however, is vulnerable to undesired pressure from the client. A pilot project should be run introducing an intermediary person, to see if a situation can be designed that "disconnects" the registrar from the client. This can also be achieved by introducing a front desk where clients can bring their application, after which it can be processed anywhere in the country.
- **Evaluate position of the National Cadastre Agency.** The functioning of the land and mortgage registration function should be evaluated, since the responsibility is shared with the central and district offices. The curator function seems strong, and in any development this role should be maintained. Also, it is important to check the relation with UE "Design Institute Belgiprozem", the organization responsible for preparing data for cadastral maps, as well as land management cases for the provision of land. The digitization of interfaces between and within the various bodies should be part of the evaluation.
- **Amend taxation system.** Property tax is levied both on land and constructions. Tax should be raised on real estate objects (land, including the building) at market value prices.
- **Stimulate real estate and mortgage markets.** A strategy should be developed to enhance the real estate and mortgage markets. Key goals should be to further reduce interest rates, liberalize the markets and research how the State can support them by, for example, subsidy programmes. Notably, the State is already enhancing programmes for rural areas.
- **Ensure high quality of data.** Although the quality of data has improved considerably in terms of completeness, actuality, and integrity, further improvement is needed to assure security to titles - this is acknowledged by the authorities. A programme should be developed to include analysis of the present situation and prepare a sound strategy for data improvement, the resources needed, and the harmonizing of actions between various parties. The State Property Planning Committee (SPC) should lead with design, instruction and monitoring, and NCA, Belgiprozem, registrars' local offices, and subordinate bodies, should carry out activities.
- **Conduct research into upgrading NSDI.** Important elements of a National Spatial Data Infrastructure (NSDI) are in place, like reference systems (SK-95, SK-42) as well as map materials. However, the current NSDI should be evaluated with a focus on how it supports identifying, searching, publishing and providing data sets with a geo-spatial component throughout the Government as well as the private sector. It is worth noting that transition to a new Spatial Data Infrastructure will require considerable funding, as well as other resources. In this respect any changes must be based on a positive cost/benefit basis.
- **Conduct evaluation of the system of authentic registers.** The registers for land, building, address and taxation are considered authentic. However, specific elements like legal framework, quality requirements, and reporting of errors might need attention. An evaluation of the present situation is recommended, especially of the integrated system of key registers.
- **Improve regulations limiting the land use.** A legal act should be developed defining the obligation for authorized bodies to provide information to the State register about the boundaries of zones with special land-use conditions, such as restricted land-use zones.
- **Upgrade the quality of the register.** Organizations under the State Property Committee have orthophotos for the whole territory of the country on the scale 1:10 000. So, for the purpose of clarification of land parcels' borders, the cadastre body should use these orthophotos.<sup>118</sup>

<sup>118</sup> The resolution of the State Property Committee No. 18 of 30 September 2016 regulates the procedure for establishing the non-fixed boundary of the land plot, including the use of orthophotoplans





6.

FINANCIAL FRAMEWORK  
FOR HOUSING, URBAN  
DEVELOPMENT AND  
LAND MANAGEMENT

## 6. FINANCIAL FRAMEWORK FOR HOUSING, URBAN DEVELOPMENT AND LAND MANAGEMENT

### The relationship between housing policy and housing finance

Since gaining independence in 1991, the Government of the Republic of Belarus has paid great attention to housing policy, including financial support for the housing sector. In the Republic, housing policy is shaped by five-year plans - the current one is the National programme "Housing Construction" for 2016-2020.<sup>119</sup> As discussed in chapter 2, the main goal of this policy is to increase access to affordable and quality housing by establishing the conditions necessary to meet housing need.

While the total funding for the 2016-2020 Programme is BYR 26.4 billion, the share of allocations from national and local budgets only reaches about a quarter (26.5 per cent) of its total funding. Indeed, it is anticipated that a significant share of the funding (BYR 17.7 billion or 66.7 per cent) will have to be attracted from additional sources such as personal funds, international organizations and loans. Therefore, one of the Programme's main goals is to attract extrabudgetary sources to finance development of engineering, transport infrastructure and residential buildings. Furthermore, the funds reimbursing these new infrastructure facilities' constructions will be spent on constructing new infrastructures for residential buildings, thereby optimizing their overall costs.

In addition to the National programme "Housing Construction" for 2016-2020, other policy measures affecting housing sector finance have been introduced in recent years. For instance, a new measure of state support referred to as Family Capital has been in place since 1 January 2015. Family Capital assistance is provided to families as a lump-sum bank transfer of USD 10,000 upon birth or adoption of a third child and subsequent children.<sup>120</sup>

The right to dispose of Family Capital funds becomes effective once the third child reaches 18 years old. Before this, Family

<sup>119</sup> Approved by Resolution of the Council of Ministers of the Republic of Belarus No. 325 of 21 April 2016.

<sup>120</sup> Decree of the President of the Republic of Belarus No. 572 of 9 December 2014 "On Additional Measures of Support to Families with Children".

Capital funds remain deposited in private accounts of the OAO "ASB Belarusbank" which transfers them in trust of OAO "Bank for the Development of the Republic of Belarus". On 1 January 2018, the Family Capital funds managed by OAO "Bank for the Development of the Republic of Belarus" were USD 469.4 million.

### Investment in housing construction

The recent contraction in the number of housing units delivered is affected by the economic slowdown in the Republic. For example, in 2011 preferential public loans funded 50.1 per cent of total housing stock commissioned, only 18.9 per cent of this funding went towards housebuilding in 2016. Other factors causing slowdown in housing delivery include a reduction in incomes and commercial banks' lack of interest in long-term investments in the national currency. As Table 19 shows, fixed investments in housing construction slightly decreased from about BYR 4 billion in actual prices in 2014 and 2015 to about BYR 3.6 billion in 2016 and BYR 3.7 billion in 2017.

TABLE 19

#### Dynamics and structure of fixed investment in housing construction, by source of financing<sup>121</sup> (Billions of Belarusian roubles)

	2014*	2015*	2016	2017
Investments in fixed assets - total	41 418.8	40 415.1	3 667.6	3 738.7
Financing source:				
National budget	1 013.3	655.9	60.3	35.7
Local budgets	2 432.8	1 895.6	134.3	166.3
Organization's funds	2 806.0	3 027.0	348.6	324.0
Funds of the population	21 223.9	24 629.1	2 311.4	2 450.6
Foreign investments (without credits (loans) of foreign banks)	559.1	452.3	65.3	85.1
Credits (loans) of banks,	11 925.9	7 947.9	582.8	463.4
of which soft loans	11 175.9	7 380.4	534.8	349.4

\* Data provided in BYR.<sup>122</sup>

Source: Investments in Constructions in the Republic of Belarus, 2017.

As of the end of 2018, credit debt from housing construction loans issued by banks in national and foreign currencies was

<sup>121</sup> Investments in Constructions in the Republic of Belarus, 2017.

<sup>122</sup> Please note that the Belarusian rouble was devaluated in 2016, thus the significant drop between 2015 and 2016. For more information, please refer to the "Currency conversion" section.

only 3.7 per cent of the banking system's loan portfolio.<sup>123</sup> In addition, starting from 2011, the floor area of commissioned residential buildings registered no growth, remaining at about 5 million m<sup>2</sup> per year. The maximum annual commissioned housing floor area – 6.6 million m<sup>2</sup> – was registered in 2010. With 3.8 million m<sup>2</sup>, 2017 marked the lowest housing commissioning rate, a number comparable to 2005.<sup>124</sup> Meanwhile, starting from 2017, most housing construction finance was provided by bank loans for reconstruction of residential premises.

### *Housing finance mechanisms*

The previous section highlighted the lack of market-based instruments for financing housing construction and the need to attract funds from commercial banks to spur construction sector investment. Therefore, improving mechanisms to attract extrabudgetary, market sources of financing, including foreign investments, will be vital if Belarus is to deliver the State program "Construction of housing for 2016-2020".

Currently, about 10 banks in the Republic offer housing loans, so using these to fund acquisition of housing can be done in primary and secondary real-estate markets. Funding mechanisms are varied and include: loans, housing bonds, housing construction savings, and housing leasing.

#### 1. Mortgage lending

Mortgage lending in the Republic of Belarus is regulated by the law "On Mortgage Services" of June 20, 2008,<sup>125</sup> which provides full legislative coverage from the moment a loan is granted until the full repayment of the mortgage. It is worth noting that lending institutions prefer third-party sureties as security to real-estate mortgages.

This may be justified by the possible foreclosure difficulties banks encounter with mortgage loan defaults. In most cases in fact, courts take the side of borrowers, making foreclosure procedures on defaulted mortgage loans very lengthy and costly for banks.

In order to broaden the practical application of mortgages as preferred security, state authorities are pursuing targeted and consistent policies to change legislative norms on this issue, as well as simplifying foreclosure procedures. To this end, it is recommended to:

- Simplify the foreclosure procedure for mortgaged housing premises, including implementing foreclosure by notary's executory endorsement;
- Work out a legal mechanism to ensure precedence of the interest of the lending bank when law-enforcement seize the mortgaged real estate assets;

<sup>123</sup> Statistical Bulletin of the National Bank of the Republic of Belarus, No. 12(234), page 116.

<sup>124</sup> A.V. Gorval's Presentation (29 May 2018).

<sup>125</sup> Law No. 345-3.

- Minimize the restrictions current legislation restrictions on eviction of owners and co-tenants from mortgaged housing in foreclosure cases.

Introduced to widen market-based housing finance options, mortgage lending will also develop the housing construction sector and increase bank lending. However, even in countries where mortgages are a large part of the GDP, such as the US, Germany, the UK, and the Netherlands, they are only affordable to citizens with above-average incomes. Therefore, successful introduction of mortgage lending needs the following economic and legal components in place:

- An increasing GDP;
- Decreasing and subsequent stabilization of inflation rates;
- Legal and regulatory frameworks for the development of mortgage lending (provided for by the National Programme "Housing Construction for 2016-2020").

#### 2. Housing bonds

Housing bonds are a common market instrument for housing construction in Belarus. According to a resolution dated 30 June 2016,<sup>126</sup> a housing bond is a registered security certifying an owner's monetary contribution to the construction of a residential or non-residential unit. This can be in a multi-unit or single-unit residential building, or in any other real estate project with relevant infrastructure, amenities, landscape and shade facilities.

Any housing bond has the value for which it was bought, as well as a value equivalent in m<sup>2</sup> of floor area of a residential or non-residential unit in a residential building or other real estate project (hereinafter referred to as the par value equivalent in m<sup>2</sup>). The par value equivalent in m<sup>2</sup> specified in the housing bond may not be less than 0.1 m<sup>2</sup>. Furthermore, the monetary value of a housing bond may not be lower than the product of the par value equivalent in m<sup>2</sup> multiplied by the legislatively established standard maximum price of 1 m<sup>2</sup> of residential floor area.

Any legal body registered in Belarus and acting as project owner or developer may issue housing bonds, provided it has approved construction project design documentation or documents certifying its title to the required land plot. According to the Ministry of Finance, on 1 January 2019, there were 1,401,693 housing bonds in circulation with a total value of BYR 624.4 million.

#### 3. Housing leasing

The Government of Belarus applies other financial mechanisms for the provision of affordable quality housing, such as leasing. The implementation of the "Financial Market Development Strategy for the Republic of Belarus until

<sup>126</sup> Resolution of the Ministry of Finance of the Republic of Belarus No. 54 of 30 June 2016 "On the Procedure of Issue, Circulation and Redemption of Housing Bonds".

2020<sup>127</sup> is expected to develop mechanisms for leasing housing premises, while the Strategy Implementation Plan for 2017-2020 lays out the legal conditions needed to develop a leasing system.<sup>128</sup>

Within the framework of the Strategy Implementation Plan for 2017-2020, the Republic has established legal conditions for apartments and houses to be owned and used under leasing agreements.<sup>129</sup> These determine the specifics of entering into, implementing and terminating leases, as well as the responsibilities of involved parties. Lesseeship may only be granted to citizens and permanent residents of the Republic of Belarus. A leased house or apartment may not be used for entrepreneurial activities and must be properly registered. The Housing Lease Regulations also establish mandatory requirements for organizations involved in leasing.

In the market, housing leasing is offered by leasing companies and banks. For example, JSC “ASB Belarusbank” implements leases through its subsidiary ASB Leasing LLC. Leases are offered to citizens of at least 18 years old and no older than 75 on the date of the lease’s termination. In this case, real estate leasing means rent-to-own housing. The lease period ranges from 1 to 20 years, while the initial contribution must be at least 20 to 40 per cent of the total cost of the housing unit. The interest rate equals the refinancing rate of the National Bank of the Republic of Belarus plus 4 per cent. Redemption value<sup>130</sup> under the lease is 1 per cent of the real estate cost.

In addition to lending for the acquisition or construction of housing, the market offers housing loan refinancing programmes. In particular, JSC “Belagroprombank” offers refinancing of housing loans granted by other banks if these conditions are met:

- The borrower owns the real estate purchased with the loan to be refinanced;
- The interest rate on the “new” loan equals the refinancing rate of the National Bank plus 6 percentage points;
- The new loan term is less than 16 years;
- Surety of two or more parties, plus mortgage of the purchased real estate.

<sup>127</sup> Approved by Resolution of the Council of Ministers of the Republic of Belarus No. 229/6 of 29 March 2017.

<sup>128</sup> Clause 28 of the Plan of Activities to Implement the Financial Market Development Strategy of the Republic of Belarus until 2020, approved by Resolution of the Council of Ministers No. 229/6 dated 29 March 2017 and the Resolution of the National Bank of the Republic of Belarus “On the Development Strategy for the Financial Market of the Republic of Belarus” creates legal conditions for housing leasing development.

<sup>129</sup> Approved by the Decree of the President of the Republic of Belarus No. 109 of 6 April 2017 “On Amending Presidential Decrees on Leasing Activities” (hereinafter referred to as Decree 109). Decree 109 approves Regulations on the Leasing of Residential Buildings and Premises (hereinafter – Housing Lease Regulations).

<sup>130</sup> The payment to be made by a lessee at the termination of the housing leasing agreement.

JSC “ASB Belarusbank” offers refinancing of housing loans granted by other banks on the following terms:

- The interest rate on the new loan equals the refinancing rate of the National Bank plus 6 percentage points;
- The new loan term is less than 11 years;
- Obligations under the loan agreement are secured by sureties, collateral or similar allowed by legislation, except forfeit penalty and loan default insurance.

Some of the banks, for example, JSC “Belgazprombank”, offer loans only for newly built housing such as apartments commissioned, offered by the developer, or construction in progress. Additionally, depending on the loan amount, an unsecured loan may be offered.

The market also offers loans at rates fixed for the loan’s whole duration. For example, JSC “Belvneshekonombank” offers housing loans for 25 years at 11 per cent per annum. However, for many developers the rate remains adjustable and stays within the range of the refinancing rate plus two or three percentage points depending on the partner company. A distinctive feature of JSC “Belvneshekonombank” lending products is their scaled loan repayment schedule, where the principal is repaid in equal portions while monthly interest is charged on the outstanding balance.

Finally, it is important to note that a lessee of a residential unit has the right to stay registered as a person in need of improving housing conditions until they own a residential unit. Therefore, Decree 109 promotes leasing development in Belarus, broadening its application and helping solve the housing affordability problem.

On January 1, 2019, there were 97 leasing organizations registered in Belarus, 30 of which had foreign participation in their statutory fund. The volume of the total leasing portfolio was over BYR 4,214 million, registering a 49.4 per cent increase over January 1, 2018. However, portfolio growth over the same period was less than 1 per cent. Additionally, the value of the share of leasing agreements with individuals was only 12.5 per cent of the total volume of leasing agreements. Such statistics indicate that in future this tool may become an important component of housing policy to increase housing affordability and forms of real estate tenure.

#### 4. Housing construction savings system

##### *ASB Belarusbank model*

In addition to housing bonds and housing leasing, the housing construction savings system provides an additional option to finance and purchase housing in Belarus. However, JSC “ASB Belarusbank” is currently the only bank implementing a housing savings system.

However, the system employed by JSC “ASB Belarusbank” involves lending based on bond issuance for the construction

of individual houses and apartments and construction of housing premises. This is in contrast to the system of housing construction savings implemented in Germany and other countries in Central and Eastern Europe.

The housing construction savings programme includes specially-designed saving plans and consists of two periods referred to as the save-and-pay period and the lending period. The save-and-pay period has two stages, the saving stage, at which a "Housing Savings" deposit account is opened for the participants, and the payment stage. The payment stage corresponds to the contractual duration of the saving stage.

Housing savings accounts have the same interest rate as the refinancing rate of the National Bank.<sup>131</sup> The payment stage begins at the end of the savings stage. At this point, the bank offers the opportunity for loan agreement to construct or acquire housing, or purchase of housing bonds.

A loan for up to 20 years is issued immediately after the end of the saving stage and covers up to 75 per cent of the housing cost. The interest rate is chosen by the borrower from the following:

- The refinancing rate of the National Bank plus one percentage point;
- The weighted average refinancing rate of the National Bank from the first month of the housing savings agreement to penultimate of the loan agreement, plus one percentage point.

No interest rate ceiling is fixed for this product.

The participant is entitled to the loan upon completion of the Housing Savings Deposit saving stage. The participant may apply for a loan within one year of this.

While these loans do not solve the housing supply problem, they can enable citizens to invest in their housing. For example, someone may cede their borrowing right to a third party. However, since this product is primarily a market product - it is granted regardless of housing need.

Financing of the sale of this product is carried out using the internal resources of JSC "ASB Belarusbank". According to the terms, its participant must accumulate funds in a special housing savings account within a certain period and schedule. When this is done, they have the right to receive a specialized "soft" loan. After fulfilling the bank deposit agreement conditions, the participant can receive a loan on more favourable conditions stipulated by the housing construction savings system.

From 2006 to 2018, twenty-three thousand (23,000) accounts, amounting to BYR 87 million, used this programme. On

1 November 2018, there were 8,016 unclosed deposits, totalling BYR 55 million.

The Republic of Belarus also developed real estate or mortgage lending. Currently, most banks accept surety of one or more third parties as primary security for housing loans. Banks view real estate collateral as an auxiliary security, partly because of the difficulty banks encounter in cases of mortgage loan defaults.

### *State housing construction savings system*

To complement the housing construction savings system offered by JSC "ASB Belarusbank", the Council of Ministers instructed the Ministry of Architecture and Construction to develop a draft law revising the housing construction savings system.

The core distinctive features of the new State Housing Construction Savings System, compared to the housing savings systems used by JSC "ASB Belarusbank", relate to regulation of savings deposits and loan parameters, and accountability to the financial regulator. Some countries offer the option of an 'overstate premium' of up to 10 per cent of all the savings within the savings contract, subject to full compliance with the depositing schedule. This was to attract potential participants to the system at its introductory stage. The housing savings system may also be used to lend funds for the capital repairs of multi-apartment residential buildings.

A stable inflation rate and low-price fluctuation in the residential real estate market is vital for the housing construction savings system to function successfully. These factors are also necessary to ensure the stable, long-term functioning of housing savings banks.

In countries where the housing construction savings system is widespread (Germany, Austria, Slovakia and others), savings and accrued interest in deposit accounts, plus the state premium, account for 20 per cent of the total construction price of the real estate asset. The remaining 80 per cent, as a rule, must be covered by a mortgage loan and the borrower's own funds.

The product currently being developed in Belarus offers a state premium of 10 per cent of the refinancing rate of the National Bank, to be added to any participant's payment need to replenish his or her savings deposit.

### **Financial frameworks to increase housing access for vulnerable population groups**

Policy action for financial support for vulnerable groups is guided by several Decrees. For instance, "Decree 240: On State Support to Citizens in Construction or Reconstruction of Housing Premises" was adopted to support the housing

<sup>131</sup> As of February 2019, the refinancing rate of the National Bank of the Republic of Belarus stands at 10 per cent per annum.

sector and provide housing to vulnerable people. It works in parallel with the previously adopted “Decree 13: On Certain Issues of Providing State Support to Citizens in Construction or Reconstruction of Housing Premises”. It is worth noting that financing frameworks to increase housing access for vulnerable groups receives substantial state support.

In accordance with Decree 13, preferential loans for the construction, reconstruction or acquisition of housing premises are granted by JSC “ASB Belarusbank”, charging 3 per cent per annum interest. Therefore, citizens receive a loan at a preferential rate, and the difference between the cost of attracting resources and the preferential rate for individuals is compensated to banks by the Ministry of Finance. The maximum term of this loan is 20 years, 40 years for large families.

The maximum loan amount should not exceed 90 per cent of the construction cost of standardized dimensions and quality for the area of residential premises, although for large families the loan amount can go up to 100 per cent. Decree 13 further defines the categories of citizens entitled to state support via preferential lending or lump-sum subsidies for acquiring or constructing housing, or for repayment of a soft loan.

Decree 240 provides further state support to citizens by offering budgetary subsidies for partial interest payments or repayment of the loan principal. To increase the number of housing units delivered, the decree further aims to attract market loans from commercial banks while providing state support to citizens for their repayment. In contrast to Decree 13, subsidies are granted exclusively for the construction or reconstruction of housing premises, so these funds may only be used to finance acquisitions on the primary housing market.

Under Decree 240, an annual loan repayment scheme whereby a substantial percentage of the loan’s interest is paid for in the first years after issuance is provided. In recent years however, this scheme has posed an excessively high burden on the national budget. To reduce budget expenditure in the first years of implementing Decree 240, a grant is provided for payment of a part of the interest. This is available to citizens living and working in settlements of up to 20,000 people and in settlements of the south-eastern region of the Mogilev region.

In general terms, the funding needed to provide citizens with subsidies to repay loans is derived from a range of national, regional and local sources.

TABLE 20

### Size of subsidies for partial interest payments for certain categories of citizens under the Decree 240

Subsidy for partial preferential loan interest payment	Subsidized beneficiary category
The National Bank refinancing rate plus 2 percentage points, not to exceed the loan interest rate established in the loan agreement	<ul style="list-style-type: none"> <li>• Large families with three underage children;</li> <li>• Large families with at least three children under the age of 23 years<sup>132</sup></li> <li>• Orphaned children and children without parental care;</li> <li>• Orphaned children or children without parental care living in state-owned social housing units.</li> <li>• Citizens engaged in housing construction in the south eastern region of the Mogilev</li> </ul>
The National Bank refinancing rate plus 3 percentage points, not to exceed the loan interest rate established in the loan agreement	Large families with four or more under-age children
The National Bank refinancing rate minus 2 percentage points, not to exceed the loan interest rate established in the loan agreement	<p>To the citizens listed in Decree 13, paragraph 1, subpara 1.1, part 1, section 2-17:</p> <ul style="list-style-type: none"> <li>• Prosecutors, who were dismissed from service in prosecution bodies by age, health condition, in connection with a reduction in the number or staff (due to organizational and staff activities) who have at least 5 calendar years of service in the prosecution;</li> <li>• Low-income citizens engaged in the construction (reconstruction) of residential premises in settlements in the south-eastern region of the Mogilev region.</li> </ul>

Source: Decree of the President No. 240 of 4 July 2017 “On state support of citizens in the construction (reconstruction) of residential premises”.

<sup>132</sup> Who have not entered into marriage and live together with the recipient of the subsidy to pay part of the interest (subsidies) and / or his spouse, including those who (i) receive vocational, secondary special , higher, postgraduate education in full-time education or mastering the content of the educational program to prepare persons for entry to educational institutions of the Republic of Belarus in full-time education in other populated areas or conscripts, (ii) serving alternative service, for which in accordance with the law retains the right to own and use occupied by the recipient of the subsidy to pay part of the interest (subsidies) and (or) his spouse (wife) residential premises.



### *Financial frameworks for energy efficient improvements in housing*

State support schemes are also widely used for improving the energy efficiency of the existing housing stock, in accordance with decree No. 75 of 7 February 2006.<sup>133</sup> This Decree entitles citizens living and working in settlements of under 20,000 people to preferential loans for financing capital repairs or reconstruction. According to JSC "ASB Belarusbank" (the authorized financial operator), 61,189 loans were issued between 2006-2017, totalling BYR 163 million. The loans disbursed in 2018 amounted to BYR 20.8 million, and on 1 November 2018, 2,415 loan agreements were concluded for BYR 15 million.

The Government of Belarus is also implementing energy-efficiency standards for new housing construction projects. A comprehensive program was adopted under Resolution No.706 of 1 June 2009 "On the Approval of a Comprehensive Programme for Design, Construction and Reconstruction of Energy-Efficient Residential Buildings for 2009-2010 and until 2020". The main goal is to ensure the reduction of specific heating fuels and energy resources to 60 kWh/m<sup>2</sup> per year, and subsequently to the level of 30-40 kWh/m<sup>2</sup> per year by 2020, using renewable and secondary sources of energy.

While the Government of Belarus sees energy efficiency as one of its main policy priorities, the institutional mechanisms for the design and implementation of energy tariffs, both for the population and state-owned enterprises, need to be improved. Indeed, no bank loans are available for energy efficiency improvements, not even to citizens in need. Consumer loans remain the only opportunity to finance energy-efficient housing refurbishment and are unaffordable for most low-income citizens.

The only way to fund energy-efficiency works is to revert to the lending opportunities provided by Decree 75. Under this decree, specific loans are disbursed for the improvement of housing amenities and conditions, including utility infrastructure and service premises and structures in settlements of over 20,000 people. These loans are granted only to housing owners permanently residing and working in these larger settlements. The monthly aggregate income per member of the household must not exceed twice the monthly per capita minimum consumer budget of a 4-person household<sup>134</sup> over the period of 12 months prior to filing an application.

The maximum size of these privileged loans is up to 90 per cent of the costs determined by design and estimate documentation. The maximum lending period must not exceed 10 years, while the interest is 3 per cent per annum.

In addition to the programme on energy efficiency, the country has an active programme to use natural gas in residential buildings.<sup>135</sup> This programme provides for state co-funding, in the form of subsidies and preferential lending. This funds gas pipeline design and construction works from the exit point from the street distribution pipeline to the entry cut-off device at the residential building, and internal gas supply installations in the housing stock. It also funds design and construction of new street distribution pipelines with entry points for gasification of existing housing stock. The Decree also allows different parameters of state support to be applied to settlements with populations below and above 20,000 people.

### *Taxation of land plots*

The Tax Code of the Republic of Belarus determines national taxes, duties and levies, as well as local taxes and duties.<sup>136</sup> The procedure for computing and paying land taxes is established by tax legislation, including the Tax Code and other regulatory and legal acts.<sup>137</sup> Tax is paid for use of land plots allocated to private ownership, inherited possessions, as well as permanent or temporary land use.

The Tax Code determines the following essential elements:<sup>138</sup>

- Land tax payers;
- Taxable items;
- Tax base;
- Tax rates;
- Procedure for computing and payment of the land tax.

Local Councils of Deputies (LCDs) are entitled to increase or decrease (no more than 2.5-fold) the land tax rates for select categories. Decisions of the LCDs on raising tax rates do not apply to legal bodies and individual entrepreneurs which benefit from state support. This can take the form of a change in the statutory tax payment period, duties, levies and penalties and financial assistance from the National budget. It also includes gas and electricity organizations providing services.<sup>139</sup>

A restriction on the right of the LCDs to change land tax rates is expected to become effective from 2020. Starting from 2020, the LCDs will be able to alter the land tax rate no more

<sup>133</sup> "On the Provision of Preferential Loans for Capital Repairs and Reconstruction of Housing Premises, Construction of Utility Networks, Service Spaces and Structures to Citizens Permanently Residing and Working in Settlements with Population of up to 20,000 People".

<sup>134</sup> In accordance with Resolution of the Ministry of Labour and Social Protection of the Republic of Belarus No. 62 of 19 July 2018, the minimum consumer budget of a 4-member family within the period from 31 August through 31 October 2018 amounted to BYR 346.95.

<sup>135</sup> Decree No. 368 of 2 June 2006, "On Regulating Relations in the Provision of Natural Gas Supply to the Housing Stock in Operation" (hereinafter referred to as Decree 368).

<sup>136</sup> Art. 7 and 8 of the Tax Code of the Republic of Belarus.

<sup>137</sup> Clause. 1, art. 3 of the Tax Code of the Republic of Belarus.

<sup>138</sup> Clause 5, art. 6 of the Tax Code of the Republic of Belarus.

<sup>139</sup> Art. 201-1 of the Tax Code of the Republic of Belarus.

than 2-fold. Before 1 January 2019, they could alter tax rates on land plots occupied by capital buildings and structures by as much as 10-fold.

Some taxpayers may be granted privileges regarding national taxes fully payable to the local budget by LCDs, or by local executive and administrative authorities acting on behalf of the LCD. This is set out in the procedures and terms determined by the President, the Tax Code, or other legislation.<sup>140</sup> Special tax treatment schemes include:

- A simplified taxation system. Starting from 2015, taxpayers enjoying this system compute and pay land tax regardless of land plot areas.
- The taxation of agricultural producers (as single tax for agricultural producers). The payment of a single tax for agricultural producers replaces the payment of other taxes, including the land tax.<sup>141</sup> However, these taxpayers must abide by the general procedure of computing and paying land tax if the share of proceeds from sales of agricultural products is less than 50 per cent of the organization's revenues.<sup>142</sup>
- The possibility to pay tax for land plots leased for temporary use which failed to be returned in the legally agreed time, squatted land plots, or those not being used as intended.<sup>143</sup>

Additionally, bar associations, law firms, the Belorussian Notary Chamber and its structural units and the National Bank and its structural units are relieved of land tax payment if not otherwise stipulated by the Tax Code.<sup>144</sup> Finally, land plots within Belarus that are owned, used or otherwise disposed of are considered subject to the land tax.<sup>145</sup>

There is a legislative limit on land plots subject to the land tax, such as forests, general-use lands in settlements, and land provided to horticultural cooperatives or religious organizations. The Tax Code also establishes a list of individuals exempt from land tax.

The cadastral value of a land plot is used as a taxable base for land tax.<sup>146</sup> In some cases, the land tax is based on the square footage of a land plot.<sup>147</sup> The land tax's taxable base is determined in BYR converting the USD-denominated cadastral value into BYR using the official exchange rate established by the National Bank on the 1st of January of the taxable calendar year.<sup>148</sup> The cadastral value of a specific land plot is a product of the cadastral value of 1 m<sup>2</sup> of land or 1 m<sup>2</sup>

<sup>140</sup> P. 4 p. 43 of the Tax Code of the Republic of Belarus.

<sup>141</sup> Clause 3, Art. 302 of the Tax Code of the Republic of Belarus.

<sup>142</sup> Clause 1, Art. 302 of the Tax Code of the Republic of Belarus.

<sup>143</sup> P. 1, clause 4, art. 302 of the Tax Code of the Republic of Belarus.

<sup>144</sup> Clause 1, Art. 329 of the Tax Code of the Republic of Belarus.

<sup>145</sup> P. 1, Art. 193 of the Tax Code of the Republic of Belarus.

<sup>146</sup> Para 1, page 195 Tax Code.

<sup>147</sup> Para 5, page 195 Tax Code.

<sup>148</sup> Para 3, page 195 Tax Code.

of the land plot, and the square footage of the land plot in question.

The land tax rates are of two types, percentage or a fixed rate per hectare, and depend on the category of lands they are applied to:

- Agricultural land;
- Settlements;
- Land used for, for example, industry, transport, communications, energy or defense-related, located beyond the limits of settlements, as well as horticultural association and cooperative land;
- Forests;
- Water reserve lands;
- Natural reserves, historical and cultural land, and land used for health-improving and recreational purposes.

The land tax rates may be adjusted as follows:

- By local councils of deputies which are entitled to alter rates for certain categories of taxpayers by no more than 2.5-fold;
- By oblast Council of Deputies, including the council of the city of Minsk, which can raise the land tax rates no more than 10-fold, for whole or partial land plots occupied by capital buildings or whole or partial structures included in the list of unused or partially used property;
- With regard to land plots that are squatted or not used as intended, land tax rates corresponding to the actual functionality of the land multiplied by 10 are applied;
- Regarding whole or partial land plots which are occupied by excessive carry-over construction projects,<sup>149</sup> land tax rates are doubled.

The size of land tax rates applied to different types of land plots may vary depending on the availability of the cadastral value, its size, and ratios applied in some situations.

According to the Ministry of Taxation, tax revenue share of the consolidated national budget in 2018 amounted to 87.3 per cent. Land tax accounted for only 2.7 per cent of this, and only 4.1 per cent in local budget revenues.<sup>150</sup> This demonstrates that, when compared to other countries, land tax is not a tangible source of tax revenue, especially for local authorities.

<sup>149</sup> For taxation purposes, the land plots (parts thereof) occupied by excessive carry over construction facilities are the land plots (parts thereof) occupied by buildings, structures and transfer facilities in the process of construction, the erection (including under a reconstruction project) of which is permitted in accordance with the legislation but has not been completed within the time frame specified by design documentation, with the exception of land plots (parts thereof) occupied by excessive carry-over construction facilities funded by the state budget, as well as such facilities being built without subcontracting.

<sup>150</sup> "On the Status of Public Finances in the Republic of Belarus", January-September 2018.

The analysis indicates that land tax rates could be increased, leading to an increase in local budget revenues. International experience in land taxation also reveals that real estate and land taxes are the most common sources of local budget revenue in almost all countries. In this context, one of the peculiarities of property taxes is their immobility - meaning they do not depend on the economic situation of the country. Therefore, revenues from these taxes can mitigate the budget risks from external macroeconomic shocks, which are particularly dangerous for local budgets, since most of their tax revenue is from mobile taxes, such as on personal income.

Between 2017-2018, personal income tax share in the total volume of local budget tax revenue increased from 26.5 to 29 per cent. In the future, further increases in the percentage of personal taxation in local tax revenues may cause budget risks. However, these could be minimized by increasing property taxes, without needing to resort to financial assistance from higher budgets.

### Overview of the banking system and its link to housing policy

According to the data of the National Bank, in 2019 there are 24 banks and 3 non-bank lending institutions in the banking system. Only one of these banks – JSC “ASB Belarusbank”, has physical branches - a network of 27 branches.

One of the peculiarities of the banking system of Belarus is the high concentration and predominance of state participation in its aggregate authorized capital. The maximum loan debt currently falls on state commercial enterprises - 37 per cent of total credit debt. The proportion of debt on loans for the private sector is 31 per cent, and individuals account for 26.3 per cent of the total loan portfolio.

The banking system of Belarus is characterized by a high share of foreign currency. The ratio of foreign currency liabilities to total liabilities of the banking system on 1 January 2019 was 66.9 per cent.

Meanwhile, following the results of the previous year, a high growth rate of overdue debts on loans in foreign currency was recorded. While data from 2017 shows that the volume of overdue debts of customers and banks for loans and active operations was BYR 36.2 million, figures from 2019 show an increase of 2.5 times to BYR 92.3 million.

However, it should be noted that on 1 January 2019 more than half of all bank liabilities were in foreign currency - 55.5 per cent of total liabilities. The largest share of liabilities in the banking system fell on funds raised from citizens on the domestic market: 67.4 per cent, of which 40.6 per cent are funds in foreign currency. The share of funds attracted by banks from non-residents of Belarus in the liabilities structure of the banking system was 14.3 per cent.

The term structure of deposits from legal bodies and individuals changed over 2018. For example, for the period January-December 2017, the ratio of long-term and short-term deposits was 5.5 and 94.5 per cent. For the same period in 2018, this ratio was 11.6 and 88.4 per cent, that is, the share of long-term deposits in foreign currency almost doubled. The share of individuals' long-term deposits from January-December 2018 was 31.5 per cent of the total volume of bank deposits in foreign currency, increasing by almost 5 percent compared to the same period a year earlier.

The share of long-term debt in the loan portfolio is 72 per cent, while over the previous year the share of short-term debt systematically increased. In particular, short-term debt during 2018 increased by 20 per cent. This trend may indicate that banks have difficulty attracting long-term resources to fund long-term loans.

It should be noted that the ratio of liquid assets to total assets of the banking system at the end of 2018 was 14.4 per cent, while a year ago this figure was at 27.4 per cent.

In terms of lending to individuals, there is an increase in the overall level of household debt, particularly for 2017-2018, when the ratio of household debt to GDP increased from 7.6 to 8.4 per cent. Meanwhile, the indicator characterizing share of payments on loan obligations in household incomes - “The ratio of household payments to debt servicing and repayment of its principal amount to income” - for the same period increased from 7.4 per cent to 9.8 per cent. This indicates an increase in availability of credit and increased competition among credit institutions. It also indicates the need for more careful regulation and control of the lending process.

In order to increase financial stability and reduce systemic risks in the banking system, the National Bank pursues a policy of macroprudential regulation, which is implemented through a number of special tools:

- Countercyclical buffer;
- Systemically important buffer;
- Instruments for limiting the debt burden of individuals;
- Estimated standard risk values (ESRVs) establishing increased deductions to the mandatory reserves fund, increased capital requirements, and the formation of special reserves, for banks implementing business models with increased risk.

A countercyclical capital buffer requirement requires banks to add capital at times when credit is growing rapidly, so that the buffer can be reduced when the financial cycle turns. It may vary in the range from 0 to 2.5 percent and is determined based on the size of the credit gap. This takes into account the dynamics of other financial and macroeconomic indicators characterizing the phase of the financial cycle,

macroeconomic risks, the situation in the financial market, and banking performance.

From 31 January to 31 December 2019, the National Bank defined a list of systemically important banks and non-bank financial institutions that can affect the sustainability of the banking system as a whole. The banks were categorized on the basis of their aggregate systemic importance assessment using indicators such as the bank's scale of activity its interconnection with resident banks, its importance for the economy, and connections to non-residents. Depending on its aggregate systemic importance assessment rating a bank would be characterized as belonging to one of the following groups: systemic importance group I (aggregate assessment rating above 5 per cent), or systemic importance group II (aggregate assessment rating ranges from 1 to 5 per cent inclusive) (see table 21).

The aggregate systemic importance assessment ratings do not apply to non-bank lending institutions. A non-bank lending institution may be assigned to one of the systemic importance groups by the judgement of the National Bank in cases when its activity may negatively impact stable functioning of the banking system. The ratings are calculated in accordance with the "Guidance on identifying systemically important banks and non-bank lending institutions".<sup>151</sup>

**TABLE 21**

**List of systemically important banks and non-bank lending institutions**

	Importance Group I	Importance Group II
1	OAO "ASB Belarusbank"	ZAO "Alfa-Bank"
2	OAO "Belagroprombank"	ZAO "Minsk Transit Bank"
3	OAO "BPS-Sberbank"	OAO "Bank Moscow-Minsk"
4	OAO "Belorussian Bank for Development and RReconstruction "Belinvestbank"	ZAO "Bank VTB (Belarus)"
5	"Priorbank" OAO	OAO "Bank Dabrabyt" <sup>152</sup>
6	OAO "Belvneshekonombank"	OAO "Tekhnobank"
7	OAO Joint Belorussian-Russian joint-stock company "Belgazprombank"	OAO "Paritetbank"

Source: National Bank of the Republic of Belarus.

In accordance with the Resolution of the Board of the National Bank (from 1 January 1 to 31 December 2019) the banks categorized as systemically important must ensure their

<sup>151</sup> Approved by Resolution of the Board of the National Bank of the Republic of Belarus No. 180 of 18 May 2017.

<sup>152</sup> On 28 January 2019, the joint-stock company "Bank Moscow-Minsk" was renamed as joint-stock company "Bank Dabrabyt".

compliance with capital adequacy requirements, determined considering the systemic importance buffer. In addition, Boards of Directors or Supervisory Boards of the above Banks must establish Remunerations Committees consisting of Board members and bank employees and headed by an independent director.

The value of the systemically important buffer is:

- 1.5 percentage points for systemically important banks and NKFO of significance group I
- 1 percentage point for systemically important banks and NKFO of significance group II.

### *Instruments to limit the debt burden of individuals*

Instruments for limiting the debt burden of the population include:

- Debt Burden Indicator (DBI) - the ratio of the size of the monthly payment on loans to the size of the average monthly income of the borrower is calculated when granting a loan for consumer needs. This indicator should not exceed 40 per cent. In cases exceeding the set value, the debt on such loans in the bank's loan portfolio should be no more than 10 per cent of the total of debt to the bank on loans for consumer needs.
- Loan collateral rate (LQR) is the ratio of the loan amount to the value of the property taken as collateral as security or the amount of other collateral in accordance with the loan agreement. This indicator is calculated when granting a loan to finance real estate and should not exceed 90 per cent. In the case of a point of sale (POS) between 90 and 100 per cent, the debt on such loans should be no more than 10 per cent of the total amount owed to the bank for loans to finance real estate. Exceptions include debt on loans issued using state support.

### *Estimated standard risk values*

From 1 March 2019, the National Bank launched a system of measures aimed at limiting the systemic risk generated by increased-risk bank business models. The basis of this system is an approach whereby higher regulatory requirements are applied to banks implementing such business models. These include requirements in capital adequacy, the creation of special reserves for covering possible losses, and the formation of a fund of mandatory reserves. The excess of interest rates established by banks on new deposits, loans and issued bonds over the ESRVs is used as an indicator of an increased risk level of business models.

The ESRV is calculated monthly by the National Bank, based on the average interest rates of six financial instruments of the national currency credit and deposit market for banks assigned to systemic importance group I (see table 22).

TABLE 22

## Estimated standard risk values

List of indicators	Value, percentage per annum (April 2019)
ESRV for new urgent revocable bank deposits (deposits) of individuals and legal entities	7.97
ESRV for new urgent irrevocable bank deposits (deposits) of individuals and legal entities with a maturity period from 1 to 6 months inclusive	9.79
ESRV for new urgent irrevocable bank deposits (deposits) of individuals and legal entities with a maturity period from 6 months to 1 year inclusive	10.65
ESRV for new urgent irrevocable bank deposits (deposits) of individuals and legal entities with a maturity of more than 1 year	12.74
ESRV for new loans granted to legal entities (excluding concessional)	11.99
ESRV for new loans granted to individuals (excluding concessional)	15.49

Source: National Bank of the Republic of Belarus.

In addition to macro-prudential regulation measures, the National Bank is implementing a number of additional measures ensuring banking system stability. According to the “Main Monetary Policy Guidelines for 2019”, the National Bank will continue to reduce the dollarization of the economy. The target for the share of loans in national currency in the total volume of loans by the end of 2019 should be at least 50 per cent. A legislative framework is also planned to lift restrictions on the conduct of foreign exchange operations related to the movement of capital.

Additionally, measures will be implemented stimulating banks to attract household savings in the national currency on an irrevocable basis for long periods, which will create a less risky deposit portfolio and a more long-term resource base for the banking system. On 1 January 2019, the total amount of debt to banks on loans to individuals was BYR 11,596.4 million, representing 23.8 per cent of the total loan portfolio. Credits issued to finance real estate account for more than 60 per cent of the total credit debt of individuals, BYR 7,211.2 million, with over 98 per cent of this being loans for construction, reconstruction and purchase of housing.

According to statistics of Belarusbank, the weighted average rate on loans for the purchase or construction of residential real estate in national currency is 12.4 per cent for a loan period of 20 years.

Finally, the Republic does not have a system of non-governmental pension funds, which in other countries, as a rule, are a major institutional investor in mortgage securities.

## Recommendations

The Government is recommended to:

- Ensure a stable inflow of investments into the housing sector.** According to data provided by the National Statistics Committee, in 2016, the share of commissioned housing financed by commercial lending schemes was less than 1 per cent, while the share funded by foreign investment was only 0.7 per cent of the total volume of commissioned housing. These values testify the lack of private sector lending for housing construction.
- In response, the Government recently removed disincentives for domestic and foreign investors by abolishing state duties and exemption from a number of state and local taxes.**<sup>153</sup> In the 2019’s World Bank Doing Business ranking, under the “Getting Credits” and “Obtaining Construction Permits” positions, the Republic of Belarus scored quite low, ranking respectively 85 and 46. These statistics show that accessing the housing market is particularly challenging, both for local and foreign companies. To increase the volume of commercial lending in the construction sector, more significant incentives to local and foreign companies are needed. An example is reducing administrative barriers such as tax burdens. Attracting private investment is necessary not only for the construction of new housing, but also for capital repairs of existing housing, including energy-efficiency improvements. Market-based lending programs should be developed for energy-efficient repairs including specially designed programmes for low-income households. One of the conditions under which such loans should be granted is the improvement of housing stock energy efficiency. The lending mechanism assumes that such loans will be partially repaid using the savings on utility service payments. Microfinance organizations, alongside local banks and international donors may become major loan providers for energy-efficient repairs. Housing construction saving schemes as used in Slovakia and Germany may also be considered as a source of loans to fund energy-efficiency repairs.
- Establish a market for domestic borrowing in the national currency.** Currently, mortgage lending is underdeveloped in the Republic of Belarus. While lending institutions provide loans for purchasing real estate, the main collateral they require is third party sureties. Real estate assets are virtually never considered as a safe collateral. On 1 January 2019, the total debt on loans granted for the construction, reconstruction and purchase of housing were BYR 7,656.1 million, 7.2 per cent of the country’s GDP in 2017. These receivables are

<sup>153</sup> Decree of the President of the Republic of Belarus No. 10 of 6 August 2009 “On the creation of additional conditions for investment in the Republic of Belarus”.

currently on the balance sheet of the banking system, making it necessary to form reserves and provide portfolio support to maintain them. Thus, the creation of a market for mortgage securities, such as the establishment of a two-tier mortgage loan refinancing system, would assist banks in clearing their balance sheets off excessive long-term receivables. This would improve turnover and establish a sustainable source of long-term domestic borrowing. It should be noted that the launch of housing mortgage loan refinancing systems in other countries was accompanied by the establishment of specialized development institutions. For example, in 1997, the Russian Federation established its JSC "Agency for Housing Mortgage Lending" whose main objective was to develop a full-fledged housing finance market. In addition, the USA created a number of organizations such as the Federal National Mortgage Association - Fannie Mae - whose objective was to refinance standard mortgage loans, and the Government National Mortgage Association - Ginnie Mae - which was responsible for refinancing mortgage loans granted within the framework of government programmes. Therefore, the National Mortgage Lending Agency, whose establishment was announced as part of the National programme "Housing Construction for 2016-2020" may, at the initial stage, refinance mortgage loans for the purpose of creating pools of collateral for mortgage securities.

- **Improve and diversify the lending product range for real estate commercial lending sector.** The majority of lending products in the Republic are characterized by a high-interest rate risk, as the majority of the real-estate lending market uses floating interest rates computed on the basis of the refinancing rate of the National Bank, plus the bank's margin. These rates offer the basic instrument for regulating the level of interest rates in the money market and serve as the basis for setting interest rates for liquidity provision operations. Therefore, if an unfavourable macroeconomic situation occurs, the refinancing rate may change, which may be sensitive for borrowers such as households with credit debt linked to the refinancing rate. Consequently, risk-hedging mechanisms need to be put in place for banks and borrowers. The introduction

of lending products with extended rollovers may be an option. For instance, the loan interest rate is fixed for a short term (for example, for 1, 3 or 5 years) after which it is reconsidered based on market terms and costs for the lending institution. An alternative way to hedge this risk may be through the introduction of a ceiling value for the interest rate.

- **Increase the amounts and sources of funding for the activity of local authorities.** Currently, according to the law "On Local Government and Self-Government in the Republic of Belarus", the responsibilities of local government and self-government bodies includes a range of issues related to housing sector finance. For example, ensuring the provision of concessional loans and subsidies to citizens in need of better housing conditions. Meanwhile, the resource base of local budgets is very limited and consists mainly of tax revenue. At the end of 2018, 72.6 per cent of all local budgets' revenue was tax revenue, with more than 1/3 from personal income tax. The share of income from property taxes was less than 10 per cent of the total. Furthermore, the income derived from income and corporate tax is quite volatile and substantially depends on regional, as well as macroeconomic factors. Proceeds from property taxes are much more stable and can reduce the risks to local budgets. Finally, to increase the resource base of local budgets, some taxes, such as gambling business taxes and environmental taxes, could be handled at a local level.
- **Review the approach to ensuring the financial accessibility of housing and communal services.** Ensuring the availability of housing and communal services is currently provided by subsidized tariffs for services, as well as subsidies to low-income households. The main beneficiaries from this system are households with the highest incomes. The Government should complete the transition to sustainable tariffs for housing and communal services, while at the same time increasing targeted support to low-income households. The main criterion for the provision of state support should be financial access to basic services, determined by assessing the share of expenditures on housing and utility services in the household's total income.

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# Country Profiles on Housing and Land Management Belarus

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