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Enhancing Local Government Revenue Raising Capacity in Belarus

1. Introduction

Actual revival of local self-management in Byelorussia began after election of People's Deputies of local Councils in spring of 1990. Elections of 1990 for the first time were competitive, therefore all candidates during the selective company have been compelled to address to real problems of voters to win the mandate of trust. Characteristic lacks of local authorities of the beginning of 90th were:

- excessive stress on politics of representative bodies that was reflected in pretentiousness of decisions and copying of work of parliament;
- absence of qualitative legal regulation;
- frequently low professionalism of deputies which was an obstacle to the formulation and realization of model of reform of local authorities and a municipal services.

Basic point of the following stage of reforming of local authorities became preparation and acceptance of the Law «About local self-management and a local economy in Belarussian Soviet Socialist State» on 20th February 1991. Due to the given law the role of the constitutional bodies of local authorities – Councils of People's Deputies has increased.

In 1991-1992 in Byelorussia the first edition of the Law on local self-management and a local economy operated. According to working Constitution all authority concentrated in system of Councils. The Supreme Soviet formed the government - Council of Ministers and other republican state bodies, of a cancellation of decisions of executive authority and dissolution of local Councils of all levels had the right. Legal base of forthcoming changes of the Constitution became accepted on 27th July 1990 the declaration on the state sovereignty which on 25th August 1991 was given by a Supreme Soviet the status of the constitutional law possessing higher validity even in relation to the Constitution. Thus, it was necessary to organize a new vertical of the state executive authority instead of destroyed party.

The changes directed on strengthening the power of executive committees and providing centralization of authority have been brought in 1993 in the Law on local self-management and a local economy. Executive committees received the right to approve the staffs independently, to appoint to posts of heads of controls accountable to Council, to establish and change a legal regime of objects of the municipal property.

The material precondition of centralization of authority was prevalence in Belarus a state ownership. In conditions of its domination the excessive autonomy of regions was erroneous. Therefore subconsciously changes in the Law on local self-management have been directed on restoration of influence of the government on a regional policy and subordination of Councils on principles of “democratic centralism”.

The problem of local self-management appeared so complex, that at all has not received the appropriate sanction during the constitutional process proceeding within four years. At various stages in different projects the subjects of local self-management was one of the most confusing, and developers of projects of the constitution could

not determine the place and role of local self-management in system of state institutions. That is why the section about local self-management was the weakest place in all projects and functionally did not coordinate with the common text of the Main law.

The beginning to the next stage of the newest history of self-management was put with the Decree of the President of Byelorussia 19th September 1995 № 383 « About carrying out of reform of Local management and self-management bodies» according to which regional Councils of deputies in cities and their bodies were finally abolished. In the territory of areas in cities administrations were formed with the right of the legal person which were called local government. The head of local administration and its assistants are appointed chairman of higher executive committee, and other officials of administration - its head. The structure and staffs of local administration affirm higher executive and administrative body to which it is accountable.

Removing of management personnel out of the control of the population results to that it is focused not on questions of a local life, and on itself, works not according to the legislation, but according to the wishes of higher heads.

One of the main questions in the analysis of problems of self-management remains initial: what Local government itself represents? The Belarus legislator already during the long period is in search of the uniform formula of local self-management. Unfortunately, in the legislation the given question is settled precisely. Article 2 of the Law «About local management and self-management in Byelorussia» contains only the instruction, that citizens through local self-management are organized and operate directly or through elected bodies for the decision of local questions. In these purposes creation of local Councils of deputies and bodies of territorial public self-management is provided, carrying out of local referenda, assemblies of citizens, use of other forms of direct participation of citizens in the state and public affairs is supposed. Councils are proclaimed the basic part of the local self-management providing in the territory coordinated activity of bodies of territorial public self-management. It is established, that local self-management is carried out in borders of administrative and territorial units. However, administrative division is under construction in view of state tasks. Therefore the basic powers at the decision of questions of the administrative-territorial device belong to the President of Byelorussia Chapter 2 of the Law 5th July 1998 « About administrative-territorial division and the order of the decision of questions of the administrative-territorial device of Byelorussia ». The President of Belarus forms and abolishes areas and areas, establishes and transfers administrative centers, establishes and changes borders of areas and areas. Only formation, abolition and transformation of the Village Soviets concerns to conducting regional Councils of deputies.

The law of Belarus «About local management and self-management in Byelorussia» in edition 10th January 2000 approves, that «local self-management in Byelorussia - the form of the organization and activity of citizens for the independent decision is direct or through bodies elected by them». Now the mentioned Law determines a legal status of bodies of local management. In the present Law there is also no precise definition of bodies of local management, only in the second part of the first articles is established, that they form the uniform system consisting from regional, regional, city, settlement and rural executive committees and local administration.

The historical analysis shows, economic motions are of great importance for becoming real self-management h. The independent system of public authority can develop on own property and financial base. Expansion of self-management means narrowing in spatial scale of sphere of display of the government. This process can occur most rationally only to privatization of public authority due to transfer of its part to conducting self-management. In

conditions of the market there is also a social basis of local self-management - those social layers which show the initiative and accept responsibility for a condition and conducting local has put.

Consolidation of local self-management is the major means of increase of efficiency of the government which is released from the petty trustee functions unusual for it which are not giving in to appropriate realization from the center, and concentrates on the decision of significant tasks for all state.

2. Local government at a glance

In Byelorussia *representative bodies* and the basic part of system of local self-management are Councils of deputies. Councils are selected for the period of four years and keep powers before opening the first session of Council of new convocation. The constitution of Byelorussia carries to exclusive conducting a representative body of local self-management:

- The statement of programs of economic and social development;
- The statement of local budgets and reports on their execution;
- Definition in the limits established by the law, about management and the order the municipal property;
- Assignment f local referenda.

According to the Law «About local management and self-management in Byelorussia» Presidiums are created in Minsk city, regions, cities of regional Councils for the organization of their work. In other Councils these functions are carried out by chairman. Into structure of presidium enter:

- Chairman of Council;
- The vice-president;
- Chairmen of the constant commissions of Council.

Positions of Presidium, as well as representative body, as a whole are weakened by that position, that all deputies including chairmen of the constant commissions execute the duties, not breaking off with the basic service or industrial activity. At the same time in the first acts about local self-management the presidium was considered as permanent working body of Council.

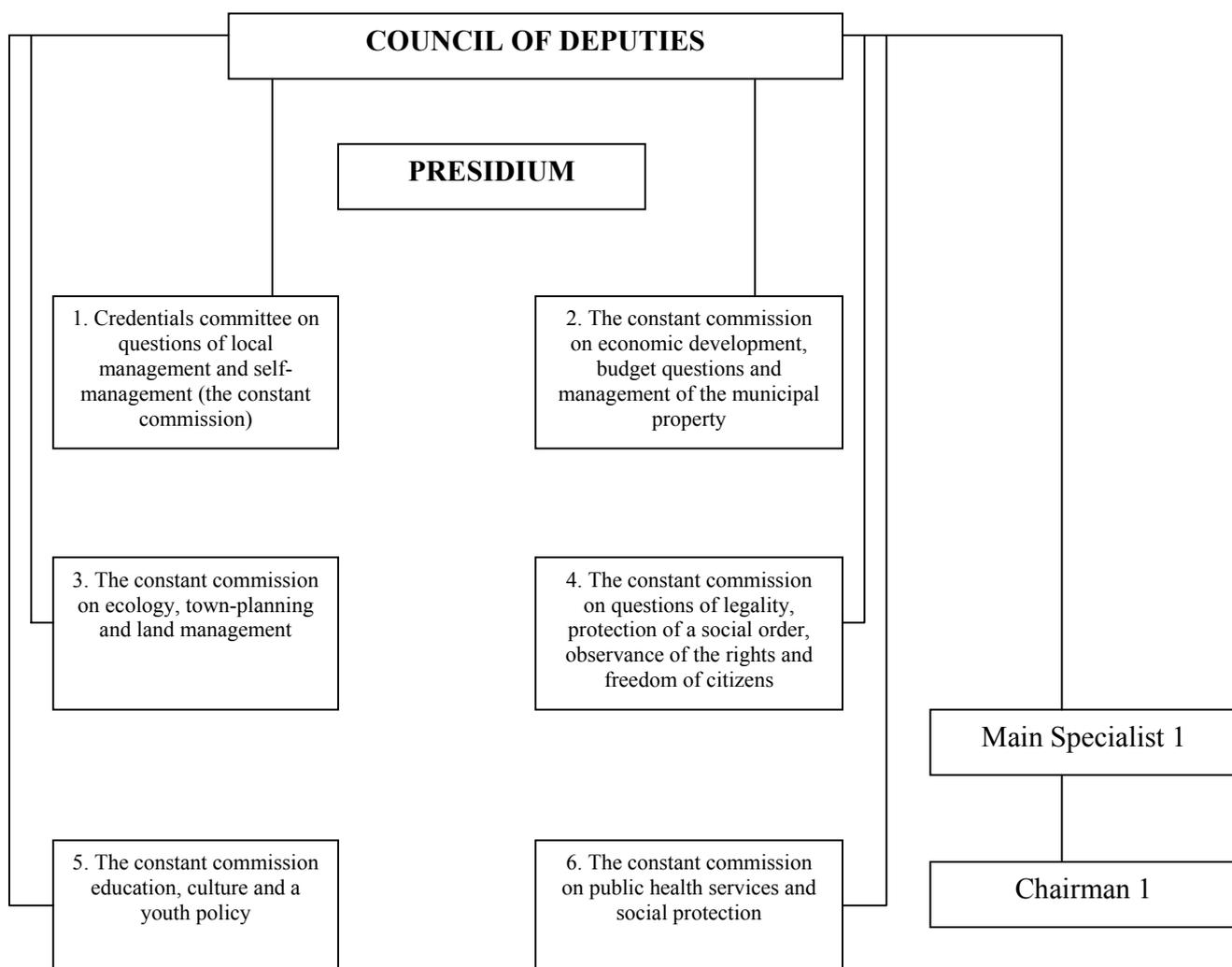
It is impossible to provide the qualitative decision of questions of local self-management extremely at sessions of Councils. For their preliminary consideration and preparation, the organization of the control over performance of decisions of Councils and higher state bodies at sessions of Councils from among deputies constant and other commissions of Councils are selected. The law «About local management and self-management in Byelorussia» provides obligatory election only Credentials Committee. In the rest Councils independently determine the list of the commissions, number of their members and functions. Now are formed:

- The commissions on economic development, the finance and the budget;
- On the consumer market and protection of the rights of consumers;
- On public health services and social security;
- Under the control over use and management of the municipal property;
- On publicity and the law and order, etc.

The commissions are not the independent authorities; accepted decisions have recommendatory character that reduces results of their control activity.

Byelorussian Councils are headed by their chairmen elected from among deputies at sessions. And except for chairmen Minsk city Councils nominees on these posts are brought by chairmen of corresponding higher Councils. The post of the vice-president of Council is provided also. It replaces chairman of Council in case of its absence or impossibility of performance his duties. According to the article 18 of the Law «About local management and self-management in Byelorussia» Council independently forms the bodies, determines their structure and powers, establishes charges on their maintenance within the framework of the legislation. The structure of a local representative body is submitted by the following figure:

Structure of a local representative body in Belarus¹



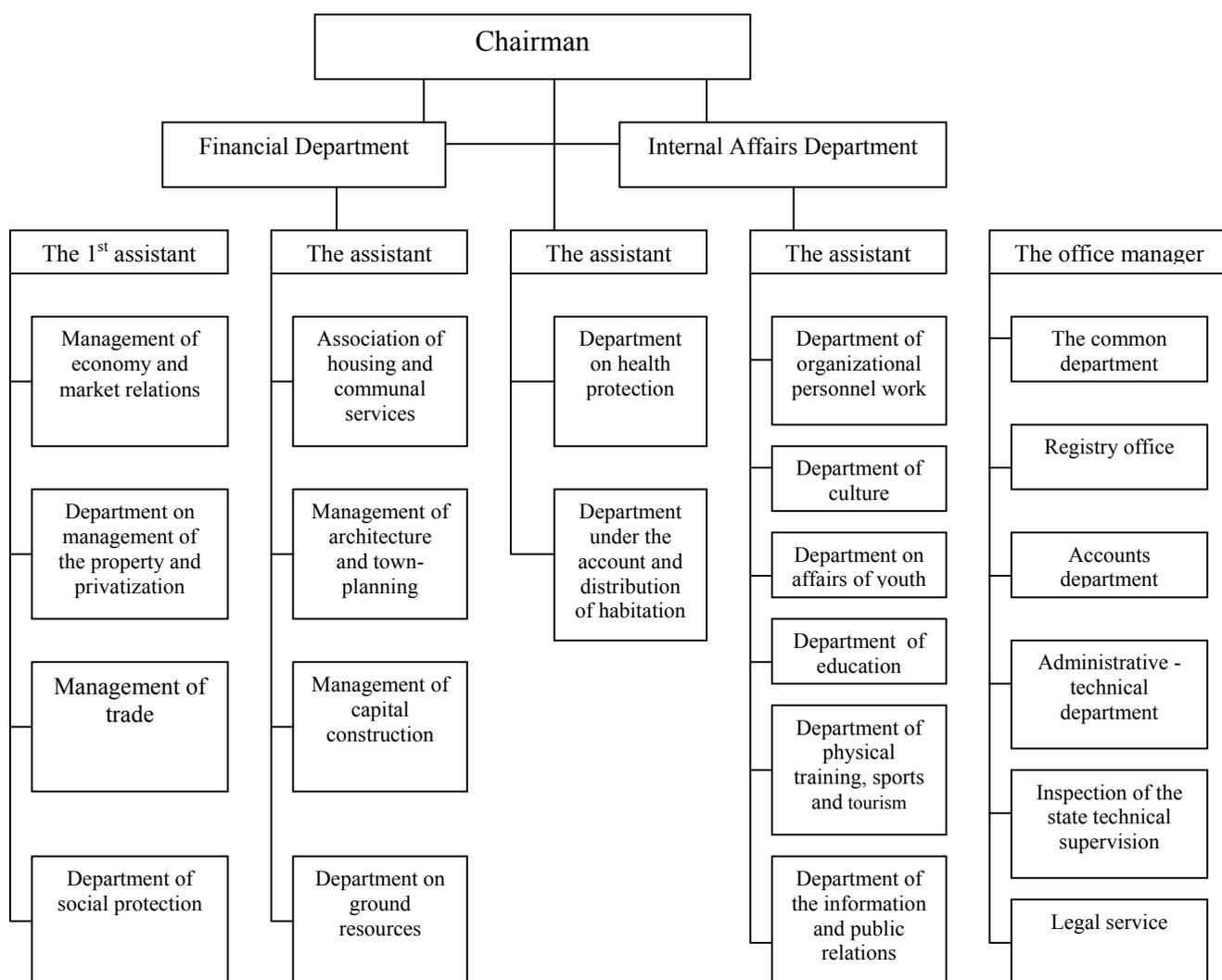
¹ Сидорчук В. К. Организация местного самоуправления. – Мн.: Амалфея, 2002. – С. 100.

In system of local self-management presence of a representative body is obligatory. The representative body of local self-management Council, municipality for a permanent job forms, as a rule, an agency which carries out decisions of a representative body. But in Byelorussia local agencies are formed in the centralized order and not included in system of local self-management of Byelorussia. Priority value in their work occupies realization of functions of nation-wide value. The executive committee is joint body of local management of the general competence, carrying out executive authority in territory of area, area, city, settlement, the Village Soviet. There are three kinds of executive committees:

- 1) A primary level - rural, city (cities of regional submission);
- 2) A base level - city (cities of regional submission), regional;
- 3) A regional level - regional and Minsk city.

The provisional structure of regional executive committee in Byelorussia is following:

Provisional structure of regional executive committee in Byelorussia²



² Сидорчук В.К. Организация местного самоуправления– Мн.: Амалфея, 2002. – С. 103.

Local executive committees are accountable, i.e. they are obliged to report to corresponding body, the official, to represent them the necessary data given, to make reports on the actions, work and to be under the control. In the Law « About local management and self-management in Byelorussia » it is established, that regional (Minsk city) executive committees are accountable to the President of Byelorussia and Council of Ministers of Byelorussia on the questions which are included in their competence. Executive committees of primary and base levels are accountable to the President of Byelorussia and higher executive committees. Besides executive committees are responsible before corresponding Council on the questions related to its competence.

Executive committees as required, but not less than once in one year should report on the activity to Council, and also inform citizens at assemblies of labour collectives and on a residence.³

The local administration is accountable to city executive committee. It not less than once in one year should report about the work to city executive committee, and also inform citizens on the activity.

Thus, to executive committees and local administrations various forms of the control as on a vertical, and across are applied. On a vertical the control is carried out by higher bodies, across - local Councils of Deputies citizens. Executive committee ответствен before Council on the questions related to the competence of Council. The basic are:

- 1) Programs of economic and social development;
- 2) Performance of budgets;
- 3) Local taxes and tax collections;
- 4) The organization of management and the order the municipal property;
- 5) The statement in a post of chairman of executive committee;
- 6) A cancellation of orders of chairman of executive committee, decisions of executive committee in case of discrepancy to their legislation of Byelorussia;
- 7) Definition about management and orders the municipal property;
- 8) The organization of protection of a social order.

3. The finance of bodies of local management

The basic acts regulating the local finance in Byelorussia, the Constitution of Byelorussia, laws «About local management and self-management in Byelorussia», «About budgetary system of Byelorussia and the state inappropriate funds», and also annually accepted laws on the budget of Byelorussia are.

According to the article 121 of the Constitution the statement of local budgets and reports on their execution, an establishment concerns to the exclusive competence of local Councils of deputies according to the law of local taxes and tax collections.

The core of the local finance is made by municipal tax system as which it is necessary to understand the list and the order of collection of taxes. The project of the Tax code carries to local taxes and tax collections:

- From retails;
- The tax to services;

- The tax to advertising;
- Gathering from users.

For example, in Belarusian city - Kobrin by city council of deputies are entered and the following local taxes and tax collections operate:

- Gathering for parking motor transport;
- Gathering for the right of trade;
- Gathering for the right of trade in the import goods;
- The tax to sale of beer and tobacco products;
- The tax to sale of products from precious metals and jewels in a retail trading network;
- Gathering for the services rendered by hotels;
- Gathering for services of restaurants, cafe, bars;
- The tax to advertising;
- Target gathering on the maintenance and development of an infrastructure of city of Kobrin from physical persons.

The basic source of incomes of local self-management are *fiscal receipts*. In Byelorussia in local budgets in full or in part acts about ten taxes.

So, executive committees and local administrations in the order established by corresponding Council, have the right to transfer objects of the municipal property in time or constant possession and using, to lease, sell to the organizations and separate citizens (Article 36 of the Law on local management and self-management). The part of municipal property will be involved independently by self-management in economic circulation. However social orientation of its functions limits opportunities of reception of the maximal income from *частноправовых* operations through collection of proportional payments in the budget for water-, gas-, a heat supply, etc. Therefore value of property payments is limited.

The low level of payment of children's preschool establishments speaks interest in creation of conditions for active labour activity of parents (the surtax with which in size not less than 29% of the income acts in the budget of a commune). The limited financing of education due to its payment is caused by its high socioeconomic importance. But the major reason determining a level of payment in the social state, redistribution of consumer opportunities is.

It is considered to be, that opportunities of consumption aged, availability of children's preschool establishments, schools should not depend on the sizes of incomes and a condition of family. Subsidizing of the young and elderly population means actually self-financing by the individual of own needs due to the period of active labour activity. It occurs, because the society and the state consider expedient to redistribute consumer opportunities during a human life.

There are two ways of redistribution: the taxation and the subsidized consumption. The taxation is a prerogative of the state, and self-management offers the subsidized consumption (culture, the foodstuffs) the low payment stimulates citizens in some areas to consumption of the given service, a product.

Concessive payments are brought in the income of self-management by subjects of business. On a basis concessive contracts are given them exclusive rights to conducting corresponding economic activities (transport, the pipeline, etc.). Without possession the exclusive right performance of the given tasks is impossible technically.

³ Крамник А.Н. Курс административного права Республики Беларусь. – Мн.: Тесей, 2002. – С. 469.

The monopoly position guarantees, moreover, public safety and reception of the income. Therefore key value for self-management gets an establishment of optimum tariffs and payments in the local budget.

Alienation of property also is the source of revenue of the local budget. Local self-management is limited in use of proceeds. In particular, the means received from sales cannot go on a covering of on a regular basis repeating charges. These incomes should be involved in other property relations, including for a covering of some duties. But in all cases they are taken into account in the budget.

The legislation does not regulate in detail the order of attraction by local self-management of credits. However the Article 43 of the Law on local management and self-management as a direction of charges names the sums necessary for return of loans, duties, payments interests on them. The modeling act contains the Article 43 «Participation of institutions of local government in credit relations» according to which local self-management according to laws has the right to release municipal loans and lotteries, to receive and give out credits, to create municipal banks and other financial - credit establishments.

Credits are the collective concept used for various legal forms in which bodies of local authorities receive money resources from other subjects for inclusion in the budget and use according to a special-purpose designation. As against use of other means, attraction of credits conducts to occurrence of obligations within the framework of the made agreements, therefore in the local budget the sums necessary for return of duties and payment on them of interests are provided.

Local authorities cannot involve credits any way, off and on. Loans can be carried out within the framework of programs of social and economic development.

In cases if the profitable part minimal local the budget cannot be provided due to fixed on a long-term basis with the law of profitable sources, bodies of the government give local self-management profitable sources of the state budget and other financial additives. Due to this local self-management participates in the taxes, acting to higher bodies.

So, according to Articles 41 and 42 of the Law «About local management and self-management in Byelorussia» in local budgets which own base is insufficient for compensation of the planned charges, can be made deductions from the following republican taxes and incomes:

- The tax to the added cost,
- Excises,
- The tax to incomes and profit of the enterprises, the organizations, establishments and associations of all patterns of ownership.⁴

The specification of deductions from republican taxes and other obligatory payments in budgets of areas and Minsk affirms the law on the budget of Byelorussia for the next year, and in corresponding subordinate budgets - higher Councils. At a level of the country the fund of support of administrative and territorial units which is used for allocation of grants, grants, subventions, loans, etc. is formed. Through tax additives the basic volume of means acts and financial distinctions of territories owing to what they make a basis of horizontal financial alignment decrease. So, the specification of the grant from fund of financial support of administrative and territorial units to local budgets makes: to Minsk - about 6 interests, the Minsk area - about 11 interests, to the Brest and Gomel areas - about 16 interests and to other areas - about 17 interests. Expected deductions should be included in local budgets as the general purpose means

⁴ Ханкевич Л.А. Финансовое право Республики Беларусь. Практ. пособ. – Мн.: «Молодежное научное общество», 2000. – С. 112.

which are not having a target orientation. Thus, in property relations of the state bodies and self-management there are phenomena which are necessary for avoiding as they in the latent form can promote "enslavement" of local self-management through expansion of sphere of the delegated state powers. Another way includes granting to institutions of local government subventions on financing of the certain projects which have been not connected to primary activity of self-management. It would seem, that anything, except for strengthening of a material basis of local self-management, it does not give. However if such measures are far from the direct purposes and tasks of local self-management there is a gradual deleting sides between it and the state structures. Questions of life-support of local population move on the second plan, self-government institutions are included in performance of the state programs for which means of the local budget and other property are spent, and gradually there is an assimilation of local self-management in system of the government.

If the territory has sufficient financial force it has no the right on deductions from nation-wide taxes and incomes. It does not break equality of territories, and solidarity in municipal sphere through rendering of the greater support to financial weak regions is shown. However municipal practice knows also grants for one inhabitant without taking into account financial force of territory that is especially attractive to economically advanced regions.

Granting of means by a higher body can be and is not connected to financial alignment, and to be caused special by need of self-management which is insufficiently taken into account through the common grants. In a case if local authorities have completely exhausted the financial opportunities, they can address with the petition to higher bodies for the financial help, not having thus of the right of the requirement. If concerning granting means there is no firm promise they cannot be included in the budget. More often the means given by way of rendering assistance, are considered as the general means of a covering, but also can sometimes have a special-purpose designation.

The legislation determines, that assignment in local budgets is made proceeding from requirements of perfection of economic structure, regional development and a regional policy, i.e. basically carries a special-purpose character. Target grants frequently do not take into account various financial opportunities of territories. They serve in the state practice also as the tool of influence on freedom of decisions of institutions of local government. From the name follows, that these means are invested as addition to own means of self-management according to the purposes of granting. Granting of such grants burdens therefore the addressee of financial assets with obligations on a direction of their use, than in the certain measure its freedom of actions is limited. As against the grants considered above target means are estimated as special means of a covering.

Financial and economic value of the common and target grants in modern conditions very appreciably, and in some regions the common prevail, and in others - target.

Thus, *the grant* are the money resources allocated from the higher budget on an irretrievable basis in a case when the fixed and regulating incomes it is not enough for balancing the budget of local self-management.

To institutions of local government can be allocated also from the higher budget subventions for performance of target programs and actions proceeding from requirements of perfection of economic structure, development of a regional policy.

Subventions are the money resources allocated from the higher budget to the subordinate budget on specific goals. From definition it is visible, that subventions, as against the grant, should be used strictly on a special-purpose designation.

Subventions are allocated for the maintenance of deputies of objects of welfare sphere transmitted to local Councils, on construction of the major objects of the municipal property. Subventions hardly take into account various financial opportunities, they are caused by special needs of regions. The precondition is that self-management has exhausted all resources and is compelled to petition for assignment for a covering of concrete charges. Subventions very essentially influence freedom of decisions of self-government institutions and in that communication, that are represented as addition of own means therefore investment activity on places lays down under conditions of higher bodies with which own financial assets of self-management communicate more often.

For alignment of levels of social and economic development of administrative and territorial units from higher budgets subordinate *grants* for housing construction, construction of engineering networks, etc. are allocated. The above-named means act in the property of self-management and do not attract occurrence of liabilities in relation to given party.

The legislation of Byelorussia provides an opportunity of redistribution of budgetary funds by means of "budgetary" loans. In particular, the Article 35 of the Law on budgetary system and the state inappropriate funds are specified in an item, that in case of time cash breaks at execution of local budgets under petitions of local executive and administrative bodies percentage and interest-free loans from regional and regional budgets can be given, return of the received extra means (loans) is made within the limits of the current financial year.

The budgetary loan is also the financial help, however as against grants, subventions and grants it has returnable character and it can be reimbursed, i.e. to provide payment of interests for using it. Basic difference of the budgetary loan from the above-named methods of budgetary regulation consists and that it is used at a stage of execution of budgets while all others - at a stage of their formation.

The order of granting and return of loans from higher local budgets to subordinate budgets is regulated by Regulations about the order of granting and return of the loans, authorized by corresponding executive committees.

Loans have a special-purpose designation and are given:

1. To executive committees - in case of time cash breaks at execution of their budgets;
2. To borrowers (municipal legal persons) - on re-structuring, expansion of manufacture, stimulation of increase in export of production (the goods, works, services), realization of import projects, and also increase of a level of competitiveness of released production, creation of seasonal stocks of commodity - material assets, realization of program actions on introduction of new technological processes and development of new kinds of production.

In Byelorussia today it is known about fifty various taxes and tax collections. Practically full social orientation of the local finance causes the right of local representative bodies to establish local taxes for financing actions necessary for the population that is essential feature of municipal tax system.

Local Councils independently determine directions of use of means of local budgets, except for transferred by it from the higher budget of the financial resources having a special-purpose designation. Within the framework of the powers Councils increase within the limits of means of norm of charges available at them for the maintenance of housing and communal services, establishments of public health services, education, a science, culture, sports, social protection, law-enforcement bodies, wildlife management, historical and cultural values; establish surcharges and extra charges to official salaries and tariff rates of workers of these establishments; determine side benefits and grants at rendering assistance to separate categories of citizens; establish the size of charges on the maintenance, the maintenance of other local bodies; form reserve, target and other funds; enter the mechanism of the sequestration of local charges.

Local authorities can put available assets available at them in economic activities, to give out loans to the enterprises and other legal persons.

4. The control and the responsibility over execution of local budgets

According to the Article 35 of the Law «About budgetary system of Byelorussia and the state inappropriate funds» the control over execution of local budgets is carried out by bodies of Committee of the state control of Byelorussia both corresponding local executive and administrative bodies of a higher level. The operative control over duly receipt of incomes and an expenditure of means on a special-purpose designation is made by local financial and tax bodies.

The special place in system of supervising bodies occupies the main auditing management of the Ministry of Finance of Byelorussia and its bodies on places to which concern: auditing managements on areas and Minsk, controllers - auditors on cities and areas.

The control over execution rural and city (cities of regional submission) budgets is carried out by corresponding Councils of deputies through executive committees. The operative control over duly receipt of incomes and an effective expenditure of means on a special-purpose designation is carried out by financial bodies and inspections of the State tax committee.

The Ministry of Finance of Byelorussia on September, 23, 1998 authorizes the Instruction on the order of carrying out of audits of work rural, and city (cities of regional submission) Councils of deputies on execution of the budget.

Audits of work rural, поселковых and city (cities of regional submission) Councils of Deputies on execution of the budget are organized and carried out{organized and spent} under the annual plans confirmed by regional or city executive committee, and also under the quarter plans confirmed by heads of financial bodies, not less often than an once in two years by workers of financial bodies, and also controllers - auditors according to the specified Instruction. Audits of cash departments on reception of tax and other payments from the population are carried out by inspection of the State tax committee in the order determined by the State tax committee.

In case of change of structure of workers of Councils or at presence of the data on abusing, infringements of the budgetary discipline, the established order of reception, the account, storage and delivery of money resources off-schedule audits, and also checks on performance of decisions and the offers accepted on earlier lead audits are carried out.

In the Law «About budgetary system of Byelorussia and the state inappropriate funds» measures of the state compulsion which are applied to subjects budgetary relations for infringements of norms of the budgetary legislation are stipulated.

According to the Article 22 named Laws the Ministry of Finance, local financial bodies have when due hereunder the right:

1. To limit and stop financing charges due to the state financial assets in case of the non-observance by their addressees of the legislation of Byelorussia regulating budgetary relations, non presenting them information on movement of the state financial assets under their accounts, no-purpose use of the specified means;

2. To allow obligatory for execution by banks of the instruction about stay of account operations under bank accounts of managers of means under the budget and the state inappropriate funds at infringement of the legislation of Byelorussia by them;

3. To collect in the indisputable order the budgetary sums used not on a special-purpose designation, on account of repayment of the loans received from the budget and the state inappropriate funds, and interests on them, and also debts under the obligations which have arisen in case of performance by the Government of Byelorussia of payments on repayment and service of credits, received under a guarantee of the Government of Byelorussia.

In the Article 22 of the given Laws are provided also the responsibility (economic, administrative) subjects budgetary relations.

So, unreasonably received or used not on a special-purpose designation or with infringement of the legislation of Byelorussia means of the budget, including as returnable loans, under the decision of the Ministry of Finance or local financial body are subject to returning in the budget with collecting in indisputable order from the legal persons who are carrying out economic activities, and also the businessmen who are carrying out the activity without formation of the legal person, admitted the specified infringements, the penalty in the double size of these means.

Officials of the enterprises, associations, establishments and the organizations, guilty of illegal reception, use not on a special-purpose designation or with infringement of the legislation of means of the budget, including received on a returnable basis, are involved in the administrative responsibility in the order established by the legislation of Byelorussia.

The order of application of the economic and administrative responsibility is in detail stated in the letter of the Ministry of Finance on 23rd September 1993 № 118 «About the organization of execution of the Law of Byelorussia «About budgetary system of Byelorussia ».

According to the given letter application of economic and administrative sanctions is made under the decision of the head of financial body on the location of the enterprise or fulfillment of infringement. In cases when infringements of the budgetary legislation are established by audits and the checks made by higher supervising bodies, economic and administrative sanctions can be imposed by the decision of the head of higher financial body or the Ministry of Finance.

In cases when the enterprises, the organizations, establishments will independently elicit the facts of illegal and no-purpose use of budgetary funds and will return in the income of the budget incorrectly used sums prior to the beginning of carrying out of audit or check, the administrative penalty on guilty officials is imposed under the discretion of the head of corresponding financial body. Thus the organizations are not released from payment of the penalty equal to the double size unduly received or used not on a special-purpose designation of means.

Acts of audits and the checks, served by the basis for application of financial sanctions, are made by officials of supervising bodies with participation of heads and chief accountants (their assistants) the checked organizations and subscribe the specified persons. In materials of checks the structure of offences and the sum of the caused damage is underlined.

In default the director, the organization, establishment and the guilty official from the signature of the Act of audit, check in them record about it is made. Refusal of the signature of these documents is not the basis for clearing of the responsibility, phase-out on business and does not stop this manufacture. Heads of legal persons, the officials who have made offences, can present the explanations and objections under the maintenance of materials of check, and also to state motives of the refusal of their signing. These documents are applied to materials of check.

Economic sanctions to legal persons are applied according to the decision of Council of Ministers of Byelorussia on 27th May 1994 № 395.

The order of application of the administrative responsibility is adjusted by the Code of Byelorussia about administrative offences.

The similar economic responsibility for infringements of the budgetary legislation is stipulated by the Decree of the President of Byelorussia on 4th August 1997 № 14. According to the Point 4 of the given Decree the right on application of the responsibility is given to Committee of the state control and its territorial bodies on behalf of the authorized officials.

4. Enhancing Local (Fiscal) Capacity and Democratic Accountability

In 2003 incomes of local budgets are planned in the sum of 5,4 bln. roubles. The given means are supposed to be received due to receipts from taxes to the added cost and to profit, specifications of deductions from which are increased for the Mogilyov area and city of Minsk, surtax from citizens, subventions and grants, and also from fund of financial support of the regions, created within the framework of the republican budget.

Thus, with structure of the finance of areas and cities of Minsk of deduction from republican taxes and incomes will make 32,7 % fixed - 44,8 %, and assignments of the republican budget - 22,5.

In the current year the number of measures on improvement of interaction republican and local budgets is planned. It is offered to differentiate precisely their profitable and account powers, to give to local authorities the big financial independence at increase of the responsibility for results of managing, to provide stimulation of a rational regional budgetary policy.

In 2003 and cities of Minsk are transferred to budgets of areas excises on automobile fuel at a rate of 20 %.

Due to purposeful measures on increase in a share of the target means, allocated to regions from the republican budget, densities subventions and grants increases from 4,4 % in 2002 up to 4,7 % in current.

For maintenance with sources of financing of budgetary charges of areas and city of Minsk from the republican budget it is planned to allocate 1210,1 billion rubles, i.e. 2 times more, than in 2002.

Taking into account, that in the current year charges on the maintenance of objects of socially cultural sphere transmitted to the municipal property, it increase, provided to increase volumes subventions on these purposes in 4,3 times in comparison with the last year. They are planned in the sum 31,6 billion rubles.

The fund of financial support of regions will be formed in volume of 31,3 % from deductions in the republican budget of taxes to the added cost, on profit and incomes, and also receipts from sale of the state property, including shares.

Besides other in regional budgets creation of reserve funds of local Councils in volume of 1 % from the common charges and fund of financing of the charges connected to acts of nature, failures and accidents is stipulated, at a rate of 0,1 %.

In 2003 local budgets will keep a social orientation. Up to 70 % of their account part it is planned to use for financing of non-productive and social sphere: public health services, culture, mass media, physical culture and sports, соцзащиты. Charges on these purposes are determined in view of specifications of budgetary security on one inhabitant.

If till 2002 in republic the uniform specification of such charges, now their two operated: on establishments of public health services – 132 881, on the rests – 226 900.

Approximately 35 % of expenses of housing and communal services of regions and 25 % on transport will be provided with grants. And on these purposes, including agricultural productions and other branches of economy, 20 % of an account part of local budgets are supposed to direct all.⁵

Problems of the local finance reflect economic problems of republic. The purpose of economic policy of Byelorussia proclaims construction of socially focused market economy. Being guided by this purpose, the state adjusts manufacture, remains the owner largely - scaled to the property, subsidizes it is glad kinds of economic activities.

Numerous economic and social functions which are reserved with the state, are a principal cause of domination of public sector in republic - a state ownership and budgetary charges. The share of budgetary charges in gross national product has achieved} in 2002 - 38 %.

It is possible to count the certain achievement of republic preservation of free-of-charge health services and, in part, formations. But at the same time, are kept and serious economic and social problems accrued. Excessive loading on the budget and low efficiency of the state managing promote preservation of high rates of inflation, and high taxes slow down economic growth, suppress stimulus to investment and the private initiative. All this has led to that all becomes more complex to carry out of the social obligations guaranteed by the state.

The basic financing of social sphere is carried out from local budgets. Housing, communal services and city public transport are subsidized from local budgets

The main source of incomes of the city budget are tax revenues. Taxes provide 74 % of all incomes of the city budget, and in view of receipts in target budgetary funds this figure achieves}90 %.

The developed system of distribution of financial streams when only half of incomes of the budget of city is formed due to own and fixed sources cannot be named effective. The existing centralized order of distribution of tax revenues predetermines financial dependence of local authorities on the center, does not stimulate them to an earning of means, results to subsidizing of local budgets, in occurrence of the big financial streams from regions in the center, and then back. Therefore and formations of the capital budget it is impossible to recognize system of interbudgetary relations rational and effective. It requires serious transformations.

Now the project of the Tax code which makes some changes to tax system and, in particular, in the local taxation, reducing amount of local taxes and tax collections is prepared, excluding from their number target gathering (transport gathering and gathering on the maintenance and development of an infrastructure of city). It is necessary to note, that target gathering make 70 % from a total sum of receipts of local taxes or 5 % from all incomes of the city budget, therefore in case of acceptance of the Tax code, losses of a profitable part of the budget will be appreciable and should be compensated or attraction of additional incomes, or corresponding reduction of an account part. Now opportunities of a cancellation of some deductions in target budgetary funds are considered also, that also will entail reduction of budgetary incomes.

Reduction of tax loading is necessary step at the given stage. The tax system in its present kind does not carry out to the full any of the functions - neither fiscal, nor stimulating.

⁵ Кошелева Л. Финансы. Учет. Аудит. // Доходам – полновесность. Расходам – эффективность. 2003. № 2. С. 24.

In 2002 general tax loading in republic, in view of deductions on the state social insurance has achieved 42%, while by calculations of IMF for the countries with such level of incomes per capita as in Byelorussia, tax loading should not exceed 24 %.

Unreasonably high level of tax loading is the factor constraining development of business activity, and, hence, interferes with increase in weight of tax revenues in the budget. Reduction, on the contrary, can serve as the factor of activization of manufacture and legalization of "shadow" business that will allow to expand tax base considerably in the long term. During the initial period inevitably reduction in receipts of taxes in the budget which can be compensated by a cancellation of tax privileges which now have wide application. Besides incomes of the budget can be increased due to activization of processes of privatization which in capital recently were slowed down.

Orientation to market economy assumes leaving the state from those fields of activity which can be served by private enterprises more effectively. It concerns in particular to a housing - operational economy.

Optimization of charges of local budgets is possible under following conditions:

- 1) Elimination of direct intervention of the state in activity of the enterprises;
- 2) Transfer of functions of capital financing to financial sector;
- 3) The termination of subsidizing of the unprofitable enterprises.

Half of charges of the capital budget falls at social sphere which is financed not in full designed need. Thus the system of planning of charges on non-productive sphere requires perfection. First of all, it is necessary to change the mechanism of planning of charges on the basis of the specification of budgetary security to one inhabitant who now is defined on the data on actual expenses of the last years, and does not reflect real requirement of establishments for financial resources but only fixes a residual principle of financing working with years. This lack can be eliminated with introduction in practice of budgetary planning the state minimal social and financial norms. For this purpose it is necessary to develop and ratify norms of the minimal security of each inhabitant a set of the social blessings, including on national education, public health services, housing-and-municipal service.

The system of interbudgetary relations, which should be in the long term created:

- 1) Would create for local authorities stimulus for mobilization of receipts;
- 2) Would allow big freedom of actions in questions of races courses;
- 3) Would provide budgetary stability;
- 4) Would be based on objective, stable criteria.

All these elements are a necessary condition for more effective activity and the responsibility of local authorities and a high degree of satisfaction requirements of the population.