



# REPUBLIC OF BELARUS

## TECHNICAL ASSISTANCE REPORT-WORK OF MISSION ON DEVELOPMENT OF POTENTIAL IN AREA

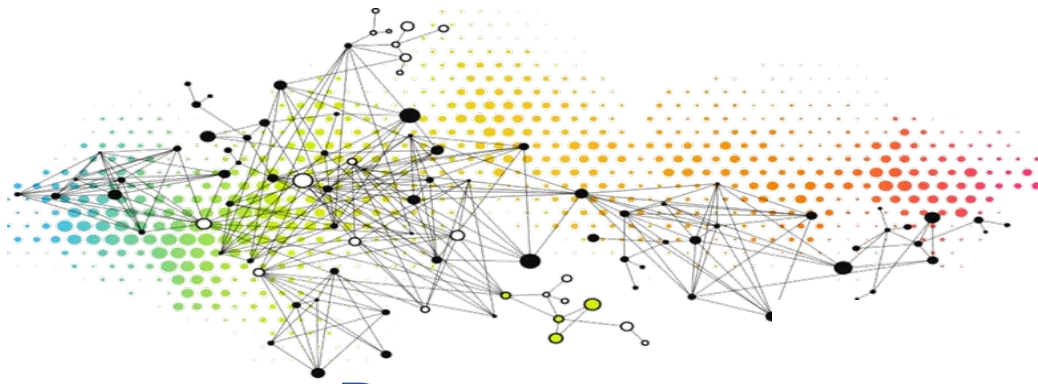
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# REPUBLIC OF BELARUS

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## REPORT OF THE GOVERNMENT FINANCE STATISTICS CAPACITY DEVELOPMENT MISSION (NOVEMBER 13 – 24, 2017)

PREPARED BY DALIA BUDKO

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## Glossary

AMA	Asset Management Agency
BC	Budget Classification
GG	General Government
GFS	Government finance statistics
<i>GFSM 1986</i>	<i>Government Finance Statistics Manual 1986</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
IBRD	International Bank for Reconstruction and Development
ICS	Integrated Collection System
IMF	International Monetary Fund
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
MoF	Ministry of Finance
NPIs	Nonprofit institutional units
NPP	Nuclear power plant
NB	National Bank of the Republic of Belarus
NSC	National Statistical Committee of the Republic of Belarus
OJSC	Open Joint-Stock Company
<i>PSDSG</i>	<i>Public Sector Debt Statistics: Guide for Compilers and Users</i>
PS	Public Sector
RB	Republic of Belarus
SNA 2008	System of National Accounts 2008
SOE	State-owned enterprise
SSF	Social Security Fund under the Ministry of Labor and Social Security
STA	IMF Statistics Department
TA	Technical assistance
WB	The World Bank

## EXECUTIVE SUMMARY

**In consultation with the Republic of Belarus Ministry of Finance (MoF), a government finance statistics (GFS) technical assistance (TA) mission from the IMF's Statistics Department (STA) visited Minsk from November 13 through 24, 2017.**

**The main objective of the mission was to take stock of the progress in government finance statistics in the Republic of Belarus and to provide assistance to the MoF in improving the quality of statistical data.**

**Government finance statistics provide a comprehensive conceptual and accounting framework suitable for the analysis and evaluation of fiscal policy, and in particular the performance of the general government sector of any country.** One of the biggest advantages of the introduction of GFS methodology into budgeting is the achievement of consistency in budgeting, financial reporting, and statistics. Use of the same terminology by those engaged in budgeting, reporting, and statistics should ensure common understanding among all of the stakeholders. The comparability of numbers, tables, and accounts is significantly enhanced, which means an improvement in productivity and in the timely availability of data.

**The mission noted that the annual and quarterly GFS data for Belarus are compiled for all subsectors of the general government sector and are provided in a timely manner to the IMF STA via the Integrated Collection System (<https://www-ics.imf.org>).** As of 2017, it is possible to compile a balance sheet for the general government sector on a quarterly basis. At this point GFS are compiled only in monetary form (with some elements of nonmonetary transactions). An analysis of the available source data/budget classifications and conversion tables used to compile statistics revealed some inconsistencies with the *Government Finance Statistics Manual 2014 (GFSM 2014)*. The technical capacities allow for the automated compilation of GFS data.

**The Belarusian economy experienced a recession in 2015–2016, and significant public funds were injected into state-owned enterprises (SOEs).** Under the current legislation and/or SOE business plans, capital injections into enterprises experiencing financial distress were recorded in GFS as an acquisition of financial assets, which did not always correspond to the economic reality. Measures taken by the government to bail out SOEs should be recorded in accordance with the requirements of *GFSM 2014*, that is, depending on the economic substance of the specific operation, and its impact on the deficit or lack thereof should be considered on a case-by-case basis.

**Pursuant to a decision by the Ministry of Finance, as of 2018 contributions to the authorized capital of SOEs will be recorded on the expenditure side of the budget.**

**The mission was informed that some transactions, i.e., transactions that do not actually pass through bank accounts, are not recorded in the accounting statements and consequently were not reported in GFS.** This concerns directed credits from foreign governments (e.g., a Russian loan for nuclear power plant construction) and from international

institutions (loans from the International Bank for Reconstruction and Development (IBRD) for specific projects).

**Defining coverage of the general government sector and the public sector is extremely important not only for GFS purposes, but also for the compilation of other macroeconomic and financial statistics.** At present GFS in Belarus cover the national budget and local budgets, the budget of the Social Security Fund (SSF) under the Ministry of Labor and Social Security, and other state extrabudgetary funds, as well as extrabudgetary funds of institutions supported by the budget, that is, only government units. The National Statistical Committee (NSC) is the agency responsible for defining institutional sectors in Belarus. The NSC has prepared a methodology for defining institutional sectors of the economy based on the requirements of the *System of National Accounts 2008 (2008 SNA)*. The mission was informed that a list of institutional units in the general government sector and the public sector for 2016 should be ready by the end of 2017.

**As part of the project to modernize public financial management supported by the IBRD, the Ministry of Finance is preparing to implement public sector accounting and financial reporting reform by introducing the International Public Sector Accounting Standards (IPSAS).** A conceptual framework is currently being developed.

**The mission discussed and generally agreed with the Ministry of Finance on the priority recommendations and action plan for the introduction of *GFSM 2014*.** A detailed list of actions is presented in *Subsection A* of the *Technical Documentation* section.

**Table 1. Republic of Belarus: Priority Recommendations**

Time frame for implementation	Priority recommendations	Responsible agency
Q3 2018	Record capital injections into SOEs according to the economic substance of the transaction being performed.	MoF
Q3 2018	Revise GFS data for 2015, 2016, and 2017 following the principle applied in the recording of contributions to authorized capital of SOEs in the 2018 budget.	MoF
Q3 2018	Record nonmonetary transactions involving loans from foreign governments and international institutions (obtaining a loan, acquisition of nonfinancial and financial assets) in GFS.	MoF

Implementation of the previous mission's recommendations is presented in *Subsection B of the Technical Documentation* section.

The mission would like to express its gratitude to the staff of the Ministry of Finance and specialists from other agencies, including the NSC and the National Bank, for their productive cooperation and assistance during the mission's visit to Minsk. The mission is also grateful for the support of the staff of the IMF Resident Representative Office in Minsk.

## DETAILED OVERVIEW AND MISSION RECOMMENDATIONS

### A. Source Data: Budget Classifications And Conversion Tables

1. **The budget classification (BC) approved by Resolution No. 208 of the Republic of Belarus (RB) Ministry of Finance (MoF) of December 31, 2008, includes: a classification of budget revenue, a functional classification of budget expenditures, a classification of budget expenditures by program, by institution and by economic type, a classification of budget deficit financing, and a classification of types of public debt of the Republic of Belarus.** A uniform budget classification is used at all levels of the RB's budget system.
2. **The mission finds that the budget classifications are not entirely consistent with the analytic framework of the *Government Finance Statistics Manual 2014 (GFSM 2014)* – the concepts of the *Government Finance Statistics Manual 1986 (GFSM 1986)* are still being used in the budget classifications.** Revenue is broken down into: (a) tax revenue; (b) contributions to state social insurance; (c) nontax revenue; and (d) grants. The *Nontax revenue* group (the *Revenue from income-generating activity* subgroup) includes income from the sale of state property, that is, transactions in nonfinancial assets. The main categories in the economic classification of expenditures are: (a) current expenditures; (b) capital expenditures; (c) lending minus repayments; and (d) financial reserve. That is, the difference between nonfinancial/financial assets and expenditures is not defined. The financial reserve is not even a transaction. *Wages and social contributions* are listed under the item *Purchases of goods and payment for services*. *Deficit financing (sources of financing)* covers the net incurrence of liabilities, proceeds from privatization, payments related to the acquisition of shares and an increase in the state's stake in authorized capital, as well as the exchange rate difference, that is, holding gains/losses.
3. **Starting in 2019, some changes will be made – budget loans will be moved to sources of financing, and contributions to authorized capital will be classified under expenditures as capital transfers.**

#### **Recommendation:**

*In parallel with the accounting and financial reporting reform being carried out in the public sector as part of the project to modernize public financial management supported by the International Bank for Reconstruction and Development (IBRD), incorporate the analytical framework and classification code system provided in GFSM 2014 into the RB budget system.*

4. **The mission analyzed the conversion tables used in the compilation of government finance statistics (GFS) and recommended the revision of some of the classification codes that are not consistent with *GFSM 2014*.** For example, the following were recorded as current claims under the revenue item *Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes* (145): (a) compensation for losses, damages; (b) funds confiscated for violation of the legislation; and (c) other nontax revenue. These items have nothing to do with standardized guarantee schemes. It turned out that the *Other nontax revenue* item consists of around 30 different subitems of varying content such as: income from the



transfer of a portion of net profits and other payments from the performance of lottery activities, the toll for travel by heavy and/or oversize vehicles on common-carrier roads, the fee for the placement (distribution) of outdoor advertising, proceeds from the sale of complaint and suggestion books, and so on. The conversion tables are provided in *Subsection C* of the *Technical Documentation* section.

**Recommendation:**

*Follow the corrected conversion tables in the compilation of GFS.*

## B. Annual Reporting for 2016

**5. Data from the RB's 2016 annual reporting provided for the International Monetary Fund's Yearbook were reviewed during the mission.** The GFS annual reporting by the Republic of Belarus covers all of the budgets in the budget system and is compiled on a consolidated basis. GFS are presented with a breakdown by the following subsectors of the general government sector: central government (republican budget and extrabudgetary funds), social security funds (Social Security Fund of the Ministry of Labor and Social Security), and local governments. In addition, consolidated data for the central government and social security funds are calculated for reference purposes. The data in the GFS annual reporting contain the *Statement of Operations*, but there are no data based on the accrual method. The only difference from the *Statement of Sources and Uses of Cash* is in the noncash operations (netting of mutual claims, transfer of property). Other comments regarding the 2016 GFS are presented in *Subsection D* of the *Technical Documentation* section.

**Recommendation:**

*Provide the IMF Statistics Department (STA) with updated annual reporting data on GFS for 2015-2016, make changes following the corrected conversion tables and other recommendations by the mission.*

## C. Capital Injections Into Enterprises

**6. Capital injections into enterprises may be recorded in GFS: (a) as an expense (capital transfers) or (b) as transactions in financial assets (issuance of a loan or an addition to equity).** A capital injection in the form of a capital transfer is recorded when funds are provided: (a) without receiving anything of equal value in exchange; (b) without a reasonable expectation of a realistic rate of return; (c) to compensate for the impairment of assets or capital as a result of large operating deficits accumulated over two or more years, or exceptional losses due to factors outside the control of the enterprise (*GFSM 2014*, paragraph A3.50). When a capital injection is made in a form other than a loan and there is a realistic expectation of a return on the investment, an increase in financial assets in the form of equity is recorded in GFS (*GFSM 2014*, paragraph A3.49). When the government intervenes by means of a capital injection that is legally in the form of a loan to a corporation in distress, the statistical treatment depends

on whether the investor unit obtains an effective financial claim<sup>1</sup> on the corporation (*GFSM 2014*, paragraph A3.27).

**7. The Republic of Belarus Ministry of Finance reviewed the contributions to the authorized capital of enterprises and decided that in terms of their economic substance these contributions are capital transfers, not the acquisition of equity.** Starting in 2018, contributions to the authorized capital of state-owned enterprises (SOEs) will be recorded “above the line,” that is as expenditures, in the budget, and accordingly in its execution.

***Recommendation:***

*Following this same principle, revise the 2015-2017 GFS – record contributions to the authorized capital of SOEs as capital transfers.*

**8. The Belarusian authorities took a number of steps aimed at the repayment of corporate debt to banks (including the honoring of guarantees) by issuing government bonds and local government bonds.** Within the legal framework of the Republic of Belarus, these operations were recorded as an assignment of a right of claim – the right of claim was transferred to central or local government authorities, while some of the loans were transferred to the Asset Management Agency (AMA), which was created specifically for this purpose.

**9. There are several possibilities for recording the assumption of debt in statistics:**

- a. The new creditor (central/local government authorities or the AMA) acquires an effective financial claim on the corporation, and the value of the claim is equal to the amount of repaid debt to banks. The new creditor records an increase in liabilities (securities) and the acquisition of financial assets (loans). If it turns out that the corporation is still not able to repay the loan to the government, debt forgiveness is recorded – the unpaid amount is recorded in expenditures as a capital transfer;
- b. The new creditor (central/local government authorities or the AMA) acquires an effective financial claim on the corporation, and the value of the claim is less than the amount of repaid debt to banks. The new creditor records an increase in liabilities (securities), the acquisition of financial assets (loans), and expenditures in the form of a capital transfer (in the amount of the difference between the securities issued and the financial asset acquired in the form of loans). If it turns out that the financial claim was not effective and the corporation is not able to repay the loan to the government, debt forgiveness is recorded – the unpaid amount is recorded in expenditures as a capital transfer;

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<sup>1</sup>An “effective financial claim” is understood to be a claim that is supported by a contract (agreement) between the creditor and the debtor, with a reasonable expectation to be called, that the original debtor will reimburse the new creditor.

- c. The new creditor (central/local government authorities or the AMA) does not acquire an effective financial claim on the corporation, and records an increase in liabilities (securities) and expenditures in the form of a capital transfer.

**10. The mission received an official letter from the Republic of Belarus Ministry of Finance in which the Belarusian authorities expressed confidence that the loans made to enterprises under contracts for the assignment of claims are the same as budget loans** (see *Subsection D* of the *Technical Documentation* section). That is, these loans assume the repayment of funds to the budget – the specific deadlines for repayment are established by decrees of the President of the Republic of Belarus. In the opinion of the Republic of Belarus Ministry of Finance, the government (in the person of central/local government authorities or the AMA) acquired effective financial claims, which should be recorded as the acquisition of financial assets.

**11. The mission suggests that Decree No. 281 of the President of the Republic of Belarus of June 29, 2015, on Stabilization of the Financial Condition of Organizations under the Gomselmash (Gomel Agricultural Machinery) Holding Company be considered as an example.** Pursuant to the decree, in 2015 the central government issues government bonds in the amount of US\$425.8 million, with redemption in 2019-2022 at an interest rate of 7 percent. The bonds are acquired by banks (banks and the amounts that they are supposed to acquire are specified in the decree). The funds received by the government as a result of the bond issue are transferred to the Gomselmash Holding Company in the form of a loan. Gomselmash uses the loan to repay bank credits (the same banks and the same amounts as the bonds issued). So, Gomselmash now has a debt to the central government, with a final repayment date of June 30, 2022. At this point it appears that the recording of this transaction as the acquisition of financial assets by the central government does not raise any doubts. But later on, in 2017, another decree is issued (No. 372 of October 10, 2017), which shifts the final repayment date for the debt owed by Gomselmash to the government to December 31, 2029.

**12. When guarantees are called, this same sort of arrangement is treated as a budget loan provided to an enterprise.** Decree No. 280 of the President of the Republic of Belarus of August 7, 2017, *on Measures for the Financial Recovery of Organizations in the Agro-Industrial Complex*, can be considered as an example. It outlines strict measures that will be undertaken in the event that the deadlines for repayment of the debt to the respective budget are not met. The annex to this decree lists 16 enterprises and one can see that guarantees were provided to each of them from one year to the next. For example, Vileyka Mixed Feed Mill Open Joint-Stock Company (OJSC) owes the government for calling guarantees in 2004, 2008, 2009, 2010, 2011, 2012, 2014, and 2015. That is, new guarantees were provided in spite of the fact that the enterprise itself was not able to repay the loans received. Under the guarantee provided in 2004, the amount of accrued interest owed on the called guarantees was more than the amount of the guarantee that was called.

**13. The mission would like to point out that a guarantee provided by the government to a corporation in distress that has a high likelihood of being called should be recorded as if this guarantee were called at the time it was provided, that is, as the assumption of debt.**

**14.** The mission notes that the scale of this kind of government assistance to enterprises is quite large, not only in terms of the amount, but also in terms of the number of recipients of assistance and the number of legal documents. It is a challenge for both statisticians and analysts to keep track of all of the changes. The fact that not a single case of the assumption and/or forgiveness of debt was reported out of such a large volume points to the absence of individual assessment. The idea that all of these rights of claim are real financial assets raises doubts and is not consistent with the economic reality – that the Belarusian economy experienced a crisis. The existence of repayment deadlines established by decrees of the President of the Republic of Belarus cannot be considered a sufficient criterion for an effective financial claim. And the same is true for the fact that some credits provided by the national budget or local governments in previous years (under various arrangements) are being repaid. An emphasis still needs to be placed not on the existence of contracts and repayment deadlines, but on the reasonable expectation that the claim will be satisfied and on the economic substance of these transactions. All of this assistance to enterprises has come at a very high price to the government (national and local government authorities), which can be seen in real terms in an increase in debt. For the enterprises, the debt reorganization meant an easing of the original terms. The state was also the initiator – it was the state that sought to provide assistance (see the *Public Sector Debt Statistics: Guide for Compilers and Users (PSDSG)*, paragraph 4.57).<sup>2</sup> The correct recording of these operations is as capital transfers to enterprises. The amounts received from enterprises (principal and interest) are recorded under revenue as *capital transfers* (1442).

**15.** According to Belarusian data provided to the IMF, in 2016 *net acquisition of financial assets in the general government sector increased by 1,569.6 million rubles, while net incurrence of liabilities declined by 35.1 million rubles*. *Net lending* was equal to 1,604.7 million rubles. Based on the Belarusian data for 2016, the mission prepared two versions of the recalculation of transactions in financial assets and liabilities – see *Subsection F* of the *Technical Documentation* section. In the first version, the amounts incorrectly shown as a reduction in accounts payable are moved to the loans category under financial assets, and we obtain the actual figure for the *net incurrence of liabilities*, but the *net acquisition of financial assets* turns out to be 2.6 times more than the *net incurrence of liabilities*. *Net lending* remains the same. In the second version, we move the acquisition of financial assets (loans and equity) “above the line,” as capital transfers. The numbers obtained appear to be the ones most consistent with the economic reality – *net incurrence of liabilities* is equal to 999.1 million rubles, *net acquisition of financial assets* is equal to 253.6 million rubles, and *net borrowing* is 737.5 million rubles. The *net incurrence of liabilities* is greater than the *net acquisition of financial assets*, and as a result we have *net borrowing*, not *net lending*.

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<sup>2</sup> The debt assumer (new debtor) does not acquire an effective financial claim on the original debtor. This may be the case when the original debtor is bankrupt or no longer a going concern, or **when the debt assumer seeks to convey a benefit to the original debtor**. The debt assumer records an expense in the form of a capital transfer/grant to the original debtor, and an increase in debt liabilities to the original creditor.

**Recommendation:**

*The mission recommends that careful consideration be given to cases involving the repayment of enterprises' debt to banks/honoring of guarantees. Record transactions in GFS according to their economic substance. Revise the years 2015-2017.*

**D. Nonmonetary Operations**

**16. According to the accrual method, all events that lead to the creation, conversion, exchange, transfer, or disappearance of economic value are recorded in the *Statement of Operations* or in the *Statement of Other Economic Flows*.** All entries in GFS have to be measured in monetary terms. In some cases, the amounts entered are the actual payments that form part of flows, and in other cases the amounts entered are estimated by reference to monetary value. All operations, whether they are monetary operations or not, are included in statistics that are compiled on an accrual basis.

**17. One of the steps in the transition from the cash basis of reporting GFS to the accrual basis is the introduction of some nonmonetary items: (a) in-kind transactions; (b) debt transactions; (c) accounts payable; and (d) accrued interest.** The inclusion of these elements significantly expands the coverage of flows and the analytical possibilities of fiscal statistics. This enables countries to take advantage of the benefits of accrual accounting, without incurring the cost of the full adoption of this type of accounting. The next step is the recording of other economic flows in statistics, that is, holding gains/losses (for example, holding gains/losses on assets and liabilities resulting from changes in foreign exchange rates) and other changes in the volume of assets (including classification changes, *GFSM 2014*, paragraph 10.77).

**18. During the mission it became clear that some of the transactions related to loans from foreign governments and international organizations were not recorded in GFS.** This is true for tied (or earmarked) loans from the IBRD, as well as the loan from the Russian Federation for construction of the nuclear power plant (NPP). The government/Republic of Belarus Ministry of Finance is the debtor, and everything is reported correctly in public debt statistics, that is in the stock of debt. The problem is that the funds are not posted to government bank accounts – the funds are paid directly to the contractors under the relevant projects. These transactions are not reported in the budget at all, and therefore they are not reported in GFS, either. It should be noted that the payment of interest and principal on the debt is handled through the budget.

**19. Two types of these loans are identified depending on who the ultimate beneficiary is: beneficiaries in the general government sector or corporations.** The reporting for these two types of credits in GFS will also be different. The way of reporting in GFS is provided in *Subsection G* of the *Technical Documentation* section.

**Table 2. Transactions involving tied loans (in millions of dollars)**

	2015	2016	Jan.-Sept. 2017
Beneficiary corporations	1126.3	1011.2	612.2
of which: NPP	701.9	552.0	396.2
General government sector beneficiary	176.6	123.7	105.1
<b>Total</b>	<b>1302.9</b>	<b>1134.9</b>	<b>717.2</b>

Republic of Belarus Ministry of Finance data.

**Recommendation:**

*Include nonmonetary transactions involving tied loans in GFS. Revise the years 2015-2017.*

**E. Coverage of GFS**

**20. The general government sector consists of resident institutional units that fulfill the functions of government as their primary activity.** This sector includes all government units and all nonmarket, nonprofit institutional units (NPIs) that are controlled by government units. In the compilation of statistics, it is important to ensure full coverage of the general government sector/subsectors (central government, regional or local governments, and social security funds). At this time the Republic of Belarus GFS cover the national budget, the SSF budget, and local government budgets – that is, all budgetary units.

**21. The mission held a working meeting with specialists from the Republic of Belarus National Statistical Committee (NSC).** One of the issues discussed during the meeting was the distribution of institutional units by sector of the economy, since this is one of the governing principles of all macroeconomic statistics. The maintenance of a list or register of such units and their classification by sector will provide for a harmonized classification in all sets of macroeconomic data. NSC Resolution No. 219 of December 30, 2015, on Approval of the Statistical Classification SK 00.007-2015 – Institutional Units by Sector of the Economy, entered into force on January 1, 2017. This statistical classification was developed on the basis of the *2008 System of National Accounts (SNA 2008)*, and it follows the general structure of the classification of institutional sectors in *SNA 2008*. Explanations regarding the application of the classification for the coding of institutional units have also been added. The NSC states that the criteria for the assignment of institutional units to sectors (subsectors) of the economy have been defined in full accord with the methodological provisions of *SNA 2008*.

**22. The control criterion needs to be used when deciding whether a resident institutional unit is public or private.** The mission notes that the definition of criteria of government control over commercial or nonprofit institutional units in the resolution referred to above is not consistent with the provisions of *GFSM 2014*. In the resolution, control over commercial institutions (paragraph 3.4) is defined primarily by the government's stake (50 percent or more), while control over nonprofit institutions (paragraph 3.6) is defined by the degree of financing and influence over their activities. Following *GFSM 2014*, more indicators of control need to be taken into account – ownership of the majority of the voting interest, control of the board or other governing body, control of the appointment and removal of key personnel,

control of key committees of the entity, golden shares and options, regulation and control, control attached to borrowing from the government, control by a dominant public sector customer or group of public sector customers, and so on.

**Recommendation:**

*When determining control criteria, follow Box 2.2 - Government Control of Corporations and Box 2.1 - Government Control of Nonprofit Institutions in GFSM 2014.*

**23. The mission was informed that there are plans to have a list of general government sector and public sector units for 2016 before the end of 2017.** This is a challenging task, since the public sector in the Republic of Belarus is extremely large. The mission would like to mention the NPP and AMA. While the NPP is under construction, it is considered a public nonmarket producer, and it should be in the general government sector. When the NPP begins to produce electricity and sales cover more than 50 percent of costs, the NPP will move into the nonfinancial corporations sector. The way of reporting this in GFS is presented in *Subsection H* of the *Technical Documentation* section.

**24. The Asset Management Agency OJSC was established in order to acquire assets arising from loans made by banks and the Development Bank to agricultural entities from said banks and the Development Bank on the basis of agreements on the assignment of claims.** The founders of the AMA are the central government and local governments, while management of the agency has been delegated to the State Property Committee. The central government's shares have been placed under the fiduciary management of Belagromprombank (Belarusian Agro-Industrial Bank) OJSC. According to the laws of the Republic of Belarus, the AMA is not a bank or a nonbank lending and financial institution, although the taxation of its income is performed according to the procedure established for banks. Thus, the AMA acts as a creditor of agricultural companies, but the funds received (loans and interest) from debtors must be turned over to the central government, with the exception of funds needed to cover the AMA's operating costs.

**25.** Bearing in mind that: (i) the AMA was created for the purpose of performing a specific task and operates as a special agent of the government; (ii) the AMA does not borrow independently in the market and does not assume any risk associated with its activities; (iii) the financing of restructuring operations was performed through capital injections by the central and local governments; and (iv) the acquisition of financial assets from banks and the Development Bank was performed not at market value, the AMA should be classified in GFS as a general government unit (see *GFSM 2014*, paragraph 2.130).

**Recommendation:**

*Include the NPP and the AMA in the general government sector and revise the GFS data accordingly. Governed by the list of general government sector units presented by the NSC, consider the possibility of including data of other nonmarket NPIs that are controlled by government units in GFS.*

## F. Dissemination of Debt Statistics

**26. In 2010 the World Bank (WB) and the IMF created a unified public sector debt database.**<sup>3</sup> The database was organized for the purpose of facilitating the timely dissemination of quarterly debt statistics for the general government sector and the public sector and to support macroeconomic analysis. The standard format facilitates the comparison of data from different countries. The database contains information about general government sector and public sector debt with a breakdown by instruments, maturities, residence of the creditor, and currency. The submission of quarterly data on central government debt with a breakdown by instruments is a minimum requirement for participation. The PSDSG is also available in Russian <http://www.tffs.org/pdf/method/2013/russian/psdsr.pdf>.

**27. Staff of the Main Public Debt Administration under the Ministry of Finance expressed an interest in joining this initiative.**

### **Recommendation:**

*Join the unified World Bank/IMF database. Provide for the submission of quarterly data on gross central government and general government sector debt in terms of loans and debt securities.*

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<sup>3</sup> Quarterly Public Sector Debt (QPSD) database (<http://data.worldbank.org/data-catalog/quarterly-public-sector-debt>).



## TECHNICAL DOCUMENTATION

### A. Action plan for the introduction of *GFSM 2014*

	Action	Planned implementation period
<b>Result: data compiled following <i>GFSM 2014</i> classifications</b>		
	Use corrected conversion tables in the compilation of GFS.	Q3 2018 (correct data starting with Q1 2016)
	Record nonmonetary transactions involving tied loans in GFS <b>(benchmark action).</b>	Q3 2018 (correct data starting with Q1 2015)
	Record capital injections into enterprises (under debt assignment agreements, honoring guarantees, etc.) based on their economic substance <b>(benchmark action).</b>	Q3 2018 (correct data starting with Q1 2015)
	Record contributions to authorized capital of state-owned enterprises as capital transfers <b>(benchmark action).</b>	Q3 2018 (correct data starting with Q1 2015)
	Add the classification of stocks of financial assets and liabilities by sector of the counterparty to GFS annual reporting (Table 8C).	Q3 2018
	Submit updated GFS annual reporting data for 2015-2016 to STA.	Q3 2018
<b>Result: data with a high periodicity are compiled and disseminated within the country and/or to the public</b>		
	Add a balance sheet to GFS quarterly reporting starting with Q1 2017.	Q4 2017, then quarterly
<b>Result: new data set is compiled and disseminated within the country and/or to the public</b>		
	Join the joint IMF and WB initiative for the presentation of public sector debt statistics. Register at the e-mail addresses: erucaj@worldbank.org and ddg_finfiles@worldbank.org.	Q1 2018
	Submit quarterly data on gross central government and general government sector debt (on securities other than shares and on loans) for the unified IMF and WB database.	Q1 2018
	Consider the possibility of the compilation and submission of quarterly data on the gross debt of state-owned nonfinancial and financial enterprises and the entire public sector for the unified IMF and WB database.	2018
<b>Result: coverage of the general government sector is consistent with <i>GFSM 2014</i></b>		

	When determining control criteria, follow Box 2.2 - Government Control of Corporations and Box 2.1 - Government Control of Nonprofit Institutions in <i>GFSM 2014</i> .	Q1 2018
	Include the nuclear power plant (starting in 2015) and the Asset Management Agency (starting in 2016) in the general government sector.	Q3 2018
	Prepare a list of institutional units of the general government sector and public sector for 2016. Publish the list.	Q1 2018
	Guided by the list of general government sector units, consider the possibility of covering in GFS data for nonmarket, nonprofit institutional units (NPIs) that are controlled by government units.	2018

## B. Implementation of recommendations from the GFS mission (July 22 through August 2, 2013)

	Recommendation	Implementation status
1.	Finalize and approve by an order of the Minister of Finance a procedure for organizing work on the preparation and dissemination of GFS data taking the mission's recommendations into consideration.	<b>Implemented.</b> Ministry of Finance Order No. 311 of September 11, 2013, on the Organization of Work on the Compilation of Data Related to the Special Data Dissemination Standard and Government Finance Statistics of the Republic of Belarus for the International Monetary Fund.
2.	In the work plan for upgrading the MoF's automated systems, provide for the possibility of the automated compilation of GFS reporting for the general government sector.	<b>Partially implemented.</b> The Ministry of Finance 2014 work plan for upgrading automated systems provided for work on automation of GFS reporting. The MoF's Information and Computing Center has now developed a program for the automation of reporting, but in connection with the latest changes in the questionnaire for 2016, the data are also being compiled manually.
3.	Add a paragraph to the information-sharing agreement between the MoF and the NSC about the submission to the MoF of a detailed list of public nonfinancial and financial corporations based on data from the statistical register.	<b>Implemented.</b> An addition was made to the information-sharing agreement.
4.	The mission recommends that the Main Budget Policy Administration harmonize the institutional classification of state-owned concerns with the NSC.	<b>Implemented.</b> In the process of joint work by the Ministry of Finance, the National Statistical Committee, and the National Bank on the development of a classification of institutional sectors of the economy (NSC Resolution No. 219 of December 30, 2015) the decision was made to classify concerns as nonfinancial corporations.
5.	Macroeconomic statistics compilers should work out a common approach to the classification of institutional units by sector of the economy.	
6.	It is recommended that the institutional table updated during the mission and the list of public sector institutional units be submitted to STA as part of the 2012 GFS annual reporting.	<b>Implemented.</b>
7.	Add a consolidated financial balance sheet to quarterly GFS reporting and submit it to STA during the quarter following the reporting quarter.	<b>Not implemented.</b> Quarterly data needed for compilation of the balance sheet are not submitted to the MoF by government agencies. In addition, some of the data are compiled only on an annual basis.

8.	As work is completed on automation of the accounting process at the Main State Treasury, consolidate the available information on fixed assets and inventories, check it against data from the State Property Committee, and submit a more complete asset and liability statement for the general government sector to STA.	<b>Partially implemented.</b> Data from the asset and liability statement regarding fixed assets and inventories are provided in full by the Main State Treasury, but the data are not checked with the State Property Committee.
9.	Add annual GFS tables.	<b>Partially implemented.</b> Data on extrabudgetary units of the central government (concerns) were added to the reporting for 2013. Expenditures on the payment of taxes by budgetary institutions and revenues of the respective budgets are still not being consolidated owing to a lack of appropriate software.
10.	Separate cash data and data compiled taking nonmonetary operations into account in annual GFS reporting.	<b>Partially implemented.</b> Nonmonetary operations involving the receipt and use of tied loans are not covered.
11.	Register in the Integrated Correspondence System (ICS) with a view to uploading GFS reporting directly into the STA database.	<b>Implemented.</b> Data have been transmitted via the ICS since 2015.
12.	Review the financial statements of the most important public nonfinancial corporations with the aim of using them for the compilation of statistics on the nonfinancial public sector.	<b>Not implemented.</b> Implementation of this recommendation was not one of the MoF's priorities.
13.	Include measures provided for in the action plan for the implementation of <i>GFSM 2001</i> in the MoF official work plan, identifying the responsible parties.	<b>Implemented.</b> Republic of Belarus Ministry of Finance Order No. 311 governs the activities of administrations within the Ministry of Finance with regard to work on GFS.

## C. Conversion tables<sup>4</sup>

GFS code	Name of GFS classification code	BC code <sup>5</sup>	Name of BC code
<b>1</b>	<b>REVENUE</b>		
<b>11</b>	<b>Taxes</b>		
<b>111</b>	<b>Taxes on income, profits, and capital gains</b>		
1111	Payable by individuals	111 01	Personal income tax
1112	Payable by corporations and other enterprises	112 02	Profit tax
		112 03	Income tax
1113	Other taxes on income, profits, and capital gains		
<b>112</b>	<b>Taxes on payroll and workforce</b>	121 00	Taxes on payroll
<b>113</b>	<b>Taxes on property</b>		
1131	Recurrent taxes on immovable property	131 07	Real estate tax on unfinished construction
		131 08	Land tax
1132	Recurrent taxes on net wealth	132 09	Real estate tax
1133	Estate, inheritance, and gift taxes		
1135	Capital levies		
1136	Other recurrent taxes on property		
<b>114</b>	<b>Taxes on goods and services</b>		
1141	General taxes on goods and services		
11411	Value-added taxes	141 10	Value-added tax
11412	Sales taxes	<u>341 55 07</u>	<u>Contributions of income from providing electronic communication services to the State Extrabudgetary Universal Service Fund</u>
11413	Turnover and other general taxes on goods and services	141 12	Other taxes and fees based on proceeds from the sale of goods (work, services)
11414	Taxes on financial and capital transactions		
1142	Excise	142 14	Excise
1143	Profits of fiscal monopolies	<u>341 55 01</u>	<u>Income from the transfer of a portion of net profits and other payments from the performance of lottery activities</u>
1144	Taxes on specific services	143 16 06	Flat tax on imputed income

<sup>4</sup> Crossed items show amendments in the Conversion table suggested by the mission,

<sup>5</sup> BC – Republic of Belarus Budget Classification, approved by Republic of Belarus Ministry of Finance Resolution No. 208 of December 31, 2008.

		<u>143 16 01</u>	<u>Tax on gambling business</u>
1145	Taxes on use of goods and on permission to use goods or perform activities		
11451	Motor vehicle taxes	<u>144 18</u>	<u>Fee (toll) for motor vehicle travel</u>
11452	Other	<u>143 16 01</u> <u>144 18 00</u>  143 16 03 <u>341 55 05</u>  <u>341 55 26</u>	<u>Tax on gambling business</u> <u>Fee for travel by foreign motor vehicles on common-carrier roads of the Republic of Belarus</u>  Fee payable by suppliers <u>Toll for travel by heavy and/or oversize vehicles on common-carrier roads</u> <u>Toll for travel by vehicles on toll roads of the Republic of Belarus using an electronic toll collection system</u>
114524	Licenses and permits for households	<u>144 17</u>	<u>Dog licensing fee</u>
114521	Business and professional licenses	<u>144 19 01</u> <u>144 19 05</u>	Fees for the performance of activities <u>Patent fees</u>
114522	Pollution taxes	144 20  <u>341 55 18</u>  <u>341 55 23</u>	Tax for the use of natural resources (environmental tax) <u>Funds received as compensation payments for the cost of plants removed and replanted</u> <u>Funds received from the sale of units based on reducing greenhouse gas emissions</u>
114525	Other	<u>161 30</u> <u>144 19 05</u>	<u>Stamp duty</u> <u>Patent fees</u>
1146	Other taxes on goods and services	<u>144 21</u>	<u>Tax on the extraction (removal) of natural resources</u>
<b>115</b>	<b>Taxes on international trade and transactions</b>		
1151	Customs and other import duties	151 22	Customs fees, duties (import)
		153 25	Import customs duties, special, anti-dumping, compensation payments received from Customs Union member states in accordance with international agreements
		153 26	Import customs duties paid within the Republic of Belarus and applied to the Republic of Belarus budget in accordance with the Treaty on the Eurasian Economic Union
1152	Taxes on exports	<u>152 23</u>	Customs fees, duties (export)
1153	Profits of export or import monopolies		

1154	Exchange profits		
1155	Exchange taxes	161 31 06	Tax on exchange transactions involving the acquisition of foreign currency
1156	Other taxes on international trade and transactions	153 24 161 153 27	Other fees and receipts from foreign economic activity Contributions to funds for precautionary (preventive) measures Special, anti-dumping, compensation payments paid within the Republic of Belarus and applied to the Republic of Belarus budget in accordance with the Treaty on the Eurasian Economic Union
<b>116</b>	<b>Other taxes</b>	161 28	Contributions to innovation funds
		161 29	Contributions to funds for precautionary (preventive) measures
1161	Payable solely by business		
1162	Payable by other than business or unidentifiable	161 31 (other than 31 06)	Other taxes, fees (duties), other tax revenue
<b>12</b>	<b>Social contributions</b>		
<b>121</b>	<b>Social security contributions</b>		
1211	Employee contributions		
1212	Employer contributions	211 35 11	Mandatory insurance contributions to the Social Security Fund of the Republic of Belarus Ministry of Labor and Social Security
		212 36	Contributions for professional, pension insurance
1213	Self-employed or unemployed contributions	211 35 12	Mandatory insurance contributions payable by citizens of the Republic of Belarus, foreign nationals, and stateless persons engaged in entrepreneurial activity
1214	Unallocable contributions		
<b>122</b>	<b>Other social contributions</b>		
1221	Employee contributions		
1222	Employer contributions		
1223	Imputed contributions		
<b>13</b>	<b>Grants</b>		
<b>131</b>	<b>From foreign governments</b>		
1311	Current	411 56	Current grants from foreign governments
1312	Capital	412 57	Capital grants from foreign governments
<b>132</b>	<b>From international organizations</b>		
1321	Current	421 58	Current grants from international organizations

1322	Capital	422 59	Capital grants from international organizations
<b>133</b>	<b>From other general government units</b>		
1331	Current	431 60	Subsidies
		431 61	Subventions
		431 62	Other interbudgetary transfers
1332	Capital	432 63	Subventions
		432 64	Other interbudgetary transfers
14	<b>Other revenue</b>		
<b>141</b>	<b>Property income</b>		
1411	Interest	311 38 <u>341 55 09</u>	Interest on budget funding <u>Proceeds from the payment of interest on credit-based assets acquired by local governments and penalties</u>
14111	From nonresidents		
14112	From residents other than general government	311 38 01	Interest payable by banks on funds from the national and local budgets
		311 38 02	Interest on budget loans, budget credits, and also on payments made from the budget in accordance with guarantees of the Republic of Belarus government and local executive and administrative bodies on credits granted by banks of the Republic of Belarus
14113	From other general government units		
1412	Dividends	312 39 <u>312 39 01</u> <u>312 39 02</u> <u>312 39 03</u> <u>312 39 04</u> <u>312 39 11</u>	Dividends on shares and income from other forms of participation in capital <u>(with the exception of items 312 39 10, 312 39 12, 312 39 13)</u>
14121	From nonresidents		
14122	From residents	312 39	Dividends on shares and income from other forms of participation in capital
1413	Withdrawals of income from quasi-corporations		
1414	Property income attributed to policyholders		
1415	Rent	321 40 01	Rent payments for agricultural and non-agricultural land
		321 40 03	Rent payments for hunting grounds and for the use of forestry tracts
		321 40 04	Rent payments for fishing grounds and bodies of water (parts thereof)



		<u>144 21 00</u>	<u>Tax on the extraction (removal) of natural resources</u>
1416	Reinvested earnings on foreign direct investment		
<b>142</b>	<b>Sales of goods and services</b>		
1421	Sales by market establishments	321 41	Income from the leasing of other property
1422	Administrative fees	322 43	Administrative charges
		<u>161 30 00</u>	<u>Stamp duty</u>
		<u>144 17</u>	<u>Dog licensing fee</u>
1423	Incidental sales by nonmarket establishments	<u>324 48 00</u>	<u>Income from confiscated property and property otherwise turned over to the government</u>
		<u>321 41 00</u>	<u>Income from the leasing of other property</u>
		<u>341 55 06</u>	<u>Cash deposit for the import of waste into the Republic of Belarus and/or its transit through the Republic of Belarus</u>
		<u>341 55 11</u>	<u>Funds from the sale of invoice-certificate forms</u>
		<u>341 55 13</u>	<u>Proceeds paid as compensation by housing contracting authorities for the cost of residential premises intended for the resettlement of persons from dwellings to be demolished, in connection with the granting of parcels of land for housing construction</u>
		<u>341 55 16</u>	<u>Income from the transfer of the balance of reserved funds and accrued interest from a special account for the duration of a construction project warranty period</u>
		<u>341 55 19</u>	<u>Fee for the placement (distribution) of outdoor advertising</u>
		<u>341 55 21</u>	<u>Proceeds from the sale of complaint and suggestion books</u>
		321 40 02	Fee for the right to enter into land lease agreements
		323 45	Revenue from income-generating activity
		323 46	Compensation for government expenditures
1424	Imputed sales of goods and services		
<b>143</b>	<b>Fines, penalties, and forfeits</b>		
		331 50	Withholdings from wages of convicts and persons exempted from criminal liability
		<u>341 55 14</u>	<u>Proceeds from penalties assessed for late repayment of budget loans and budget credits</u>

		322 51	Fines
<b>144</b>	<b>Transfers not elsewhere classified</b>		
1441	Current transfers not elsewhere classified	341 54	Voluntary contributions (transfers)
		<u>341 55 24</u>	<u>Return of funds in connection with the withdrawal of government support provided in the form of financial assistance, reimbursement to legal entities of a portion of interest on bank credits</u>
14411	Subsidies		
14412	Other current transfers	341 54	Voluntary contributions (transfers)
		<u>341 55 10</u>	<u>Income from transfers of unclaimed winnings from interactive electronic games</u>
		<u>341 55 24</u>	<u>Return of funds in connection with the withdrawal of government support provided in the form of financial assistance, reimbursement to legal entities of a portion of interest on bank credits</u>
1442	Capital [transfers not elsewhere classified]		
<b>145</b>	<b>Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes</b>		
1451	Premiums, fees, and current claims		
14511	Premiums		
14512	Fees receivable for standardized guarantee schemes		
14513	Current claims	341 52 341 55 324 48 03	Compensation for losses, damages Other nontax revenue Funds confiscated for violation of the legislation
1452	Capital claims		
<b>2</b>	<b>EXPENSE</b>		
<b>21</b>	<b>Compensation of employees</b>		
211	Wages and salaries	110 01	Base salary paid to employees
2111	Wages and salaries in cash		
2112	Wages and salaries in kind		
212	Employers' social contributions		
2121	Actual employers' social contributions	110 02	Social contributions
2122	Imputed employers' social contributions		
<b>22</b>	<b>Use of goods and services</b>	110 03	Purchase of supplies and consumables
		110 04	Business and official travel

		110 05	Payment for transportation services
		110 06	Payment for communication services
		110 07	Payment for public utilities
		110 08	Payment for geological prospecting services
		110 09	Payment for standard design work
		110 10	Other current expense on purchase of goods and services
		<del>240 03</del>	<del>Major repairs</del>
<b>23</b>	<b>Consumption of fixed capital</b>		
<b>24</b>	<b>Interest</b>		
241	To nonresidents	120 04	External government debt service
242	To residents other than general government	120 01	Servicing of securities
		120 03	Servicing of other borrowed funds
243	To other general government units	120 02	Servicing of budget credits
<b>25</b>	<b>Subsidies</b>		
251	To public corporations		
2511	Public nonfinancial corporations	130 01 01	Subsidies to public organizations
		130 01 03	Losses of organizations from the sale of goods (work, services)
2512	Public financial corporations		
252	To private enterprises		
2521	Private nonfinancial enterprises	130 01 04 130 01 99	Other subsidies
2522	Private financial enterprises	130 01 02	Subsidies to financial institutions and organizations
253	To other sectors		
<b>26</b>	<b>Grants</b>		
261	To foreign governments		
2611	Current	130 04 01	To governments and international organizations
2612	Capital		
262	To international organizations		
2621	Current	130 04 02	To joint organizations of the CIS and international integration organizations
2622	Taxes on specific services		
263	To other general government units		
2631	Current	130 02	Current interbudgetary transfers
2632	Capital	2 70 04	Capital budgetary transfers
<b>27</b>	<b>Social benefits</b>		
271	Social security benefits		
2711	Social security benefits in cash	130 03 01	Payment of pensions and benefits
2712	Social security benefits in kind		
272	Social assistance benefits		
2721	Social assistance benefits in cash	130 03 04	Other transfers to the public

273	Employment-related social benefits		
<b>28</b>	<b>Other expense</b>		
281	Property expense other than interest		
2811	Dividends		
28111	To nonresidents		
28112	To residents		
2812	Withdrawals of income from quasi-corporations		
2813	Property expense for investment income disbursements		
2814	Rent		
2815	Reinvested earnings on foreign direct investment		
282	Transfers not elsewhere classified		
2821	Current	130 03 02	Stipends
2822	Capital	270 01 02	Transfers to government organizations
		270 01 03	Transfers to financial institutions and organizations
		270 01 04	Other transfers within the country
		270 02	Capital budget transfers to the public

## D. Revision of GFS data for 2016

<b>Table 1. Revenue</b>	
Make the changes that were recommended during the review of the conversion table (Subsection C).	
Social contributions	Break the contributions down into: employee contributions (1211), employer contributions (1212), self-employed or unemployed contributions (1213), unallocable contributions (1214).
Receipts under international agreements for the payment of pensions to nonresidents (SSF)	Exclude, this is not SSF income.
<b>Table 2. Expense</b>	
Wages and salaries in cash (2111)	Exclude "provision of material assistance, including assistance to unemployed pensioners who have retired from government agencies."
Wages and salaries in kind (2112)	Include "payment for apartment rental and public utilities for employees of budget organizations in accordance with the legislation."
Use of goods and services (22)	Exclude from this item expenditures on major repairs (depending on the substance) and wages and salaries in kind.
Subsidies (25)	Exclude: reimbursement (compensation, payment) following the established procedure for interest on bank credits granted to privately owned organizations – capital transfer (2822); reimbursement (compensation, payment) for lost income from granting concessions to certain categories of citizens for transportation, communications, housing and municipal services, and other types of services, - social assistance benefits (272); expenditures on major repair and modernization of the housing stock and other housing and municipal services facilities – depending on the sector in which the recipient of the funds is classified.
Grants to foreign governments (261)	Exclude expenditures on the maintenance of embassies, missions, and consulates, and

	membership dues paid to international organizations.
Social security benefits (271)	Social benefits payable to households in cash or in kind under <b>social security schemes</b> . This item should contain only SSF data.
Social assistance benefits (272)	Social assistance benefits are transfers in cash or in kind payable to households to meet the same needs as social insurance benefits, but performed outside of social insurance schemes. Eligibility for these benefits does not depend on the adoption of a decision to participate in such schemes demonstrated by the payment of contributions. Thus, social assistance benefits do not include any benefits payable by social insurance funds.
Employment-related social benefits (273)	These are social benefits in cash or in kind that <b>are paid by general government sector or public sector units</b> to their employees or to employees of other general government sector or public sector units who are participating in the given scheme (or to dependents and surviving dependents of employees who are entitled to such payments). Based on their type, the benefits provided relate to nonpension benefits and are similar to those listed for social security schemes: continued payment of wages and salaries during absence from work for reasons of illness, accident, pregnancy and childbirth, etc.; benefits for families with children, for education, and other similar payments; severance benefits in the event of layoffs in connection with a staff reduction, inability to continue working or death resulting from an accident; expenditures on general medical services not related to the work performed; payment for stays at sanatoriums and homes for the elderly.
Payment of pensions to nonresidents under international agreements	Exclude, this is not an SSF expense.
Capital transfers (2822)	See <i>GFMS 2014</i> , paragraph 6.124 and Box 6.3. Contributions to authorized capital – same as the 2018 budget. Debt assumption, debt forgiveness.

<b>Table 3. Transactions in assets and liabilities</b>	
<b>Financial assets</b>	
Credits and loans granted (3214)	Record repayment of enterprises' debt to banks/honoring of guarantees in capital transfers. Should complex methodological issues arise with regard to flows and stocks related to debt liabilities, see <i>GFSM 2014</i> , Annex 3.
Acquisition of equity (3215)	Contributions to authorized capital – same as the 2018 budget. See <i>GFSM 2014</i> , paragraph 9.49* and Box 6.3.
<b>Liabilities</b>	
Other accounts payable (3318)	This should be 0, since there are no data based on the accrual method. Move the amounts to other items – most likely to capital transfers (depending on the substance).
<b>Table 6</b>	
Currency and deposits (6122 and 6222)	Consider the possibility of entering data on currency and deposits.
Acquisition of equity (6215)	Same as (3215).
<b>Table 6C</b>	
The amount of liabilities on securities is incorrectly shown as currency and deposits (6302F), while the amounts for credits and loans appear under securities (6303F)	Liabilities on securities and credits and loans should be the same as in Table 6 (6303=6303F and 6304=6304F).
<b>Table 8C</b>	Complete the table in the same way as Table 8A.

## E. Letter from the Republic of Belarus Ministry of Finance

### REPUBLIC OF BELARUS MINISTRY OF FINANCE

7 Sovetskaya Street, Minsk, 220010

Tel: (017) 222 61 37, Fax: (017) 222 45 93

Govt. Agency Universal Classification Code 02200, Settlement Acct. No. 3604900000573

ASB Belarusbank OJSC, Code 795, Taxpayer Identification No. 1000691903

November 24, 2017

No. 2-1-6/233

Dalia Budko

International Monetary Fund Expert

With regard to the recording of transactions under contracts assigning the right of claim on loans made to organizations in the real sector of the economy, which was raised during the International Monetary Fund's technical assistance mission on government finance statistics in the Republic of Belarus, the Ministry of Finance has the following to report.

Transactions involving the reassignment of bank loans to the national and local budgets are essentially the same as budget loans (they entail the repayment of funds to the budget). The need to repay said funds is also determined by the legislation of the Republic of Belarus, among other things (decrees of the President of the Republic of Belarus establish specific deadlines for the repayment of funds to the budget with regard to all decisions).

In accordance with the 2014 edition of the *Government Finance Statistics Manual* (Box 6.3 – Transactions with Public Corporations), only if the government makes an investment in a public corporation **without a reasonable expectation** of a realistic rate of return on the investment is this recorded as a capital transfer.

In light of the above, we believe that transactions under contracts assigning a right of claim need to be recorded "below the line," that is, in sources of budget deficit financing.

/s/

V. V. Amarin

Minister

2-1 Tikhonovich



309 42 62

## F. Versions of the recalculation of transactions in financial assets and liabilities in 2016, millions of rubles

### Official data of the Republic of Belarus submitted to the IMF

GFS code	Category	Central government	Social security funds	Local governments	Consolidation	General government sector
<b>NLB</b>	<b>Net lending (+) / Net borrowing (-) (32-33)</b>	<b>1 254 952.8</b>	<b>207 057.2</b>	<b>142 731.7</b>	<b>0.0</b>	<b>1 604 741.7</b>
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>1 230 380.6</b>	<b>207 057.2</b>	<b>114 918.6</b>	<b>17 293.4</b>	<b>1 569 649.9</b>
3202	Currency and deposits [3212+3222]	148 925.4	207 057.2	-34 660.2	0.0	321 322.4
3203	Debt securities [3213+3223]	-70.6	0.0	0.0	0.0	-70.6
3204	Loans [3214+3224]	575 296.2	0.0	-102 261.6	17 293.4	490 328.0
3205	Equity and investment fund shares [3215+3225]	506 229.6	0.0	251 840.4	0.0	758 070.0
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>-24 572.3</b>	<b>0.0</b>	<b>-27 813.0</b>	<b>17 293.4</b>	<b>-35 091.9</b>
3303	Debt securities [3313+3323]	214 737.7	0.0	937 461.0		1 152 198.7
3304	Loans [3314+3324]	-161 096.9	0.0	-17 293.4	17 293.4	-161 096.9
3308	Other accounts payable [3318+3328]	-78 213.0	0.0	-947 980.7	0.0	-1 026 193.7

**Version 1: amounts incorrectly shown as a reduction in accounts payable moved to the category of loans of financial assets**

GFS code	Category	Central government	Social security funds	Local governments	Consolidation	General government sector
<b>NLB</b>	<b>Net lending (+) / Net borrowing (-) (32-33)</b>	<b>1 254 952.8</b>	<b>207 057.2</b>	<b>142 731.7</b>	<b>0.0</b>	<b>1 604 741.7</b>
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>1 308 593.6</b>	<b>207 057.2</b>	<b>1 062 899.3</b>	<b>17 293.4</b>	<b>2 595 843.6</b>
3202	Currency and deposits [3212+3222]	148 925.4	207 057.2	-34 660.2	0.0	321 322.4
3203	Debt securities [3213+3223]	-70.6	0.0	0.0	0.0	-70.6
3204	Loans [3214+3224]	653 509.2	0.0	845 719.1	17 293.4	1 516 521.7
3205	Equity and investment fund shares [3215+3225]	506 229.6	0.0	251 840.4	0.0	758 070.0
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>53 640.8</b>	<b>0.0</b>	<b>920 167.7</b>	<b>17 293.4</b>	<b>991 101.8</b>
3303	Debt securities [3313+3323]	214 737.7	0.0	937 461.0	0.0	1 152 198.7
3304	Loans [3314+3324]	-161 096.9	0.0	-17 293.4	17 293.4	-161 096.9
3308	Other accounts payable [3318+3328]	0.0	0.0	0.0	0.0	0.0

**Version 2: contributions to authorized capital, guarantees called, and other “bad” assets recorded “above the line”**

GFS code	Category	Central government	Social security funds	Local governments	Consolidation	General government sector
<b>NLB</b>	<b>Net lending (+) / Net borrowing (-) (32-33)</b>	<b>112 507,4</b>	<b>207 057.2</b>	<b>-1 057 089,4</b>	<b>0.0</b>	<b>-737 524,8</b>
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>166 148,2</b>	<b>207 057.2</b>	<b>-136 921,8</b>	<b>17 293.4</b>	<b>253 577,1</b>
3202	Currency and deposits [3212+3222]	148 925.4	207 057.2	-34 660.2	0.0	321 322.4
3203	Debt securities [3213+3223]	-70.6	0.0	0.0	0.0	-70.6
3204	Loans [3214+3224]	17 293,4	0.0	-102 261,6	17 293.4	-67 674,8
3205	Equity and investment fund shares [3215+3225]	0,0	0.0	0,0	0.0	0,0
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>53 640.8</b>	<b>0.0</b>	<b>920 167.7</b>	<b>17 293.4</b>	<b>991 101.8</b>
3303	Debt securities [3313+3323]	214 737.7	0.0	937 461.0	0.0	1 152 198.7
3304	Loans [3314+3324]	-161 096.9	0.0	-17 293.4	17 293.4	-161 096.9
3308	Other accounts payable [3318+3328]	0.0	0.0	0.0	0.0	0.0

**\*Corrected figures are highlighted in yellow.**

## G. Models for recording tied loans in GFS

A double-entry system is used in GFS to report all flows. In a double-entry system each transaction is recorded by two entries of equal value, which are traditionally called credit and debit entries.

**Transactions that are currently still missing from GFS are presented in the models.**

**A simplified model in which a general government sector unit is the ultimate beneficiary.** The government obtains an external loan, and the general government sector unit acquires fixed capital. The general government sector unit obtains funds on a non-refundable basis.

GFS code	Name	Debit	Credit
3324	Loans (external)		1000
311	Fixed assets	1000	

**A simplified model in which a state-owned enterprise is the ultimate beneficiary.** The government obtains an external loan and makes a loan to an SOE. The SOE obtains funds on a refundable basis, that is, it must repay the loan to the government, with the relevant entries in the budget.

GFS code	Name	Debit	Credit
3324	Loans (external)		1000
3214	Loans (domestic)	1000	

## H. Model for recording the nuclear power plant in GFS

A simplified model (we do not show interest and taxes) for recording flows related to inclusion of the NPP in the general government sector and its removal from the general government sector when the NPP begins to produce and sell electricity at market prices.

### At the point that the government obtains the loan and makes a loan to the NPP:

GFS code	Name	Budget	NPP	Consolidation	General government sector
<b>32-33</b>	<b>Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
32	<i>Net acquisition of financial assets</i>	9000	9000	-9000	<b>9000</b>
3212	Currency and deposits	0	9000	0	<b>9000</b>
3214	Loans	9000	0	-9000	<b>0</b>
33	<i>Net incurrence of liabilities</i>	9000	9000	-9000	<b>9000</b>
3314	Loans	0	9000	-9000	<b>0</b>
3324	Loans	9000	0	0	<b>9000</b>

### During the construction of the NPP:

GFS code	Name	Budget	NPP	Consolidation	General government sector
31	Net investment in nonfinancial assets	0	9000	0	<b>9000</b>
<b>NLB</b>	<b>Net lending (+)/ borrowing (-)</b>	<b>0</b>	<b>-9000</b>	<b>0</b>	<b>-9000</b>
<b>32-33</b>	<b>Financing</b>	<b>0</b>	<b>-9000</b>	<b>0</b>	<b>-9000</b>
32	Net acquisition of financial assets	0	-9000	0	<b>-9000</b>
3212	Currency and deposits	0	-9000	0	<b>-9000</b>
33	<i>Net incurrence of liabilities</i>	0	0	0	<b>0</b>

**At the point that the NPP is reclassified from GG to the nonfinancial corporations sector.** Entries are made only in the statement of *change in net worth*

due to other changes in the volume of assets and liabilities and accordingly in the balance sheet of assets and liabilities (see GFSM 2014, paragraph 10.77):

GFS code	Name	Budget		Consolidation	General government sector
<b>5</b>	<b><i>Change in net worth due to other changes in the volume of assets and liabilities</i></b>	<b>0</b>			<b>0</b>
51	<i>Other changes in the volume of nonfinancial assets</i>	-9000		0	<b>-9000</b>
52	<i>Other changes in the volume of financial assets</i>	9000		0	<b>9000</b>
5205	Equity and investment fund shares	9000		0	<b>9000</b>
53	<i>Other changes in the volume of liabilities</i>	0		0	<b>0</b>

## I. List of officials met during the mission

Full name	SUBDIVISION AND POSITION	E-mail
<b>Republic of Belarus Ministry of Finance</b>		
Maksim Leonidovich Yermolovich	First Deputy Minister of Finance	<a href="mailto:minfin@minfin.gov.by">minfin@minfin.gov.by</a> (with note: for M. L. Yermolovich)
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<b>National Bank of the Republic of Belarus</b>		
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