

In its bid to retain monopoly over healthcare, the government has come to a deadlock where it may no longer provide quality health services, while the private sector is not in a position to change the situation for the better. The government's move to cut the range of freely provided healthcare and expand the use of fee-for-service methods of payment has not helped to improve quality; instead, it increased the burden on low income groups. In addition, the state monopoly in the health sector will not encourage providers to cut prices.

Given the slow pace of market-oriented reforms and administrative mechanisms for allocating services and privileges, the informal segment is unlikely to shrink. Therefore, the level of services available to individual users depends not only on their income, but also on their social status, position and access to privileges.

Despite the absence of a health insurance development strategy, changes in the healthcare sector will continue, albeit without appropriate government oversight. The market of private services will develop in parallel and at the expense of the state-sponsored health sector, but without guarantee of availability to low income groups, who will find access to effective, quality health services to be increasingly difficult. If no dramatic changes are made in healthcare, it will not be able to satisfy the population's need for health services, and the mortality rate and diseases will be on the rise.

Social security

Belarus' social security system is ineffective, as proven by the fact that numbers of people who need benefits is rising, while the benefits are insufficient to meet their needs.

Some 7.5 million out of the 10 million Byelorussians are entitled to one form benefit or another. The government spends \$2 billion a year, or 14 percent of the GDP, on fighting poverty, but the number of claimants does not drop.

The social security system is ineffective because the funds are stretched, and their distribution is inadequate. There is no effective mechanism for targeted support. Because of subsidies to staple foodstuffs, public transport, housing

and utilities, much of the assistance goes to those who do not need it effectively. The system is prone to abuse.

On gaining independence, Belarus opted for preserving the old social security system, and even to increase the scope of benefits rather than build an effective new system. Now, the government has run out of funds to continue these paternalistic policies.

The mechanism of allocating benefits is very complicated and obscure. To cope with social security expenditure, the government raises taxes, thus forcing contributors to conceal their income and encouraging employees to claim benefits rather than increase their official income. Therefore, the government contributed to fostering parasitical attitudes, including among people still in active employment.

As a result, people regard allowances as guaranteed extra pay to top their wages, pensions and student allowances. Benefits are not viewed as incentives to act, but rather as compensation for low wages in the state-owned sector. Such mentality is the main cause behind high numbers of claimants.

The government seeks to retain its monopoly over the allocation of benefits and ignore advantages of the market economy that gives most people an opportunity to earn a living. In contrast to official declarations, benefits have been gradually eroding. This increases public discontent with public policies.

Pension system

The Belarusian authorities have taken some inroads towards the pension system's reform. The government endorsed a pension system reform plan in April 1997. The plan calls for establishing a three-tier system. The first tier consists of disability and survivor benefits paid out of the government's annual budget. The second tier is made up of mandatory individual accounts, and the third tier is voluntary individual accounts.

Since about 80 percent of the elderly in Belarus are entitled to 'occupational' benefits, if the reform is carried out these benefits will be made up of the minimum pension paid to anyone with the required years of service (ca. 20 years),