



The World Bank Proposes a Roadmap For Heating Tariff Reforms In Belarus

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The current heating tariff system in Belarus is inefficient, unsustainable in the long run, and undermines industry competitiveness and risks macroeconomic instability, says a World Bank study Belarus: Heat Tariff Reform and Social Impact Mitigation. The report analyses the social, sectoral and fiscal impacts of the heat tariff reform considered by the Government and provides recommendations for developing a sustainable district heating sector and working out measures to mitigate adverse impacts of the heat tariff increases on the households. According to the report, underpriced residential heat tariffs for district heating, that are currently at 10-21 percent of cost-recovery level, place an increasing fiscal burden on the budget and industrial producers. Because of the cross-subsidies from industrial to residential consumers, Belarusian manufacturers do not benefit from the low import price of natural gas. As a result, the tariff set for the industries is higher than the European average. The report warns that the current system of subsidies to the population is poorly targeted. Instead of identifying the poorest households and providing subsidies to them, the subsidies are provided to all households regardless of their income. The existing social protection mechanisms need to be adjusted to support the poor and vulnerable groups in the event of a tariff reform. "An effective social assistance package provided along with the elimination of subsidies would enable the Government to protect the poor, without jeopardizing the reform, noted Young Chul Kim, World Bank Country Manager for Belarus. "Investment in energy efficiency could also significantly reduce consumer energy bills. The analysis shows that energy efficiency measures could reduce household heat consumption by up to 35 percent compared to the present. In order to build momentum for the heating tariff reform the report recommends (i) enhancing customer communications and engagement to address the existing knowledge gap among residential consumers on tariff setting and the proposed reform; (ii) improving social protection mechanisms, and (iii) encouraging investments in energy efficiency both at production and consumption stages. The current World Bank investment lending portfolio in Belarus includes 5 operations for a total amount of US\$ 647.51 million. Since the Republic of Belarus joined the World Bank in 1992, commitments to the country have totaled USD 1.14 billion. In addition, grant financing totaling USD 25 million has been provided to programs including those with civil society organizations. The World Bank
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