

INVEST IN BELARUS

GUIDEBOOK

SEPTEMBER • 2014



Investment opportunities,
economy overview and legal framework

PREPARED BY NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

CONTENTS

CHAPTER I
INVESTMENT OPPORTUNITIES

1.	Why Belarus? Reasons to invest	10
1.1.	Belarus in World Rankings: strong potential, good performance	13
2.	Promising sectors for FDI	16
2.1.	Pharmaceutical industry	17
2.2.	Renewable Energy	21
2.3.	Automotive Industry	23
2.4.	Food industry	27
3.	One-stop shop for investors. National Agency for Investment and Privatization	31
3.1.	Services	31
3.2.	Pilot privatization project. Implementing best international practices	32

CHAPTER II
BELARUSIAN ECONOMY

4.	Economy of Belarus. Overview. Macroeconomic indicators.....	36
4.1.	Nominal GDP	37
4.2.	GDP per capita	38
4.3.	Consumer price index	39
4.4.	Exchange rate policy	40
4.5.	International trade	40
4.6.	Credit rates for legal persons	42
4.7.	Gross external debt	43

Abu-Dhabi



5,5 h
1 flight daily



Minsk



5.	International cooperation and foreign capital in Belarus	44
5.1.	FDI on net basis	44
5.2.	Belarus–Russia relations	46
5.3.	Belarus–European Union relations. Long way from neighborhood to partnership	49
5.4.	Belarus-China: towards new level of cooperation	54
5.5.	International economic organizations	57
5.6.	Privatization in Belarus – perspectives and obstacles	58
5.7.	Overview of M&A Transaction in Belarus	59
5.8.	The perspectives of Belarusian companies’ IPOs	63

CHAPTER III LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6.	Legal environment for foreign investments	64
6.1.	International treaties	64
6.2.	National legislation	64
6.3.	Protection and Guarantees	64
6.4.	Methods for Settlement of Disputes	65
6.5.	Incentives and preferences	65
6.5.1.	High-Tech Park (HTP)	65
6.5.2.	Industrial Park	66
6.5.3.	Free economic zones (FEZ)	66
6.5.4.	Small and medium-sized towns	67
6.5.5.	Investment agreement	67
6.6.	Basic republican taxes	67
6.7.	Business entities	68
6.7.1.	Forms of business entities	68
6.7.2.	Establishing a company	70

6.8. Representative office..... 70

6.9. Privatization. Legal framework..... 70

6.10. The M&A. Legal framework..... 72

6.11. Financial regulations..... 75

6.11.1. Currency transactions and their fulfillment..... 75

6.11.2. Banks account..... 76

6.12. Employment relations..... 76

6.13. Intellectual Property..... 77





Welcoming Message from Prime Minister of the Republic of Belarus H.E. Mr. Mikhail Myasnikov

Dear friends and foreign guests!

The Republic of Belarus is a developing European country with an open economy. Belarus has a lot to offer to international businesses. It gives me great pleasure to present the Investment Guide to Belarus prepared by the National Agency of Investment and Privatization. We sincerely hope that this guidebook will help all investors planning to start up an enterprise in our country to obtain an objective evaluation of the economic situation and to familiarize themselves with the investment potential of the Republic of Belarus.

The Belarusian Government prioritizes building up the economic, legal and institutional framework of doing business in our country. Over the last five years, foreign direct investment flows into Belarus have increased fivefold.



Special tax regimes attractive to foreign investors have been formed and are successfully functioning. Guarantees of investment security and protection are provided. New forms of Government to business partnership are being actively developed.

Belarus occupies an advantageous geographical position being located at the crossroads of major international transport corridors. We are constantly improving our logistics infrastructure. Setting up your business in Belarus and establishing joint ventures, foreign investors can obtain free access to the market of the Eurasian Economic Union of Belarus, Kazakhstan and Russia. The market encompasses 180 million consumers and significant human, resource, research and technological capabilities.

All those factors, alongside sustainable government institutions create unique opportunities for successful investment activity in Belarus.

Let me, on behalf of the Government of the Republic of Belarus, assure you that we are committed to a long-term and mutually beneficial partnership with our foreign partners.

Welcome to Belarus!

**Prime Minister
of the Republic of Belarus
Mikhail Myasnikovich**



Invest in Belarus guidebook september 2014



Dear Reader,

Belarus is becoming a promising investment platform for doing, building and expanding international business today. Reputable international studies consistently confirm Belarus' status as one of the most favorable foreign direct investment destinations in the Eastern Europe. It's not hard to see why.

Through the years of economic reforms and improvements, Belarusian authorities have created a pro-business environment that stimulates entrepreneurship and foreign investment. Those International business players that are already doing business in Belarus highlight country's economic and political stability, as well as the availability of highly educated personnel. Belarus has a friendly legal business environment wich offers guarantees of stable regulatory frameworks related to conducting business and achieving business goals such as tax incentives.

We believe that the country's business and industry infrastructure and active government policy of attracting



foreign direct investments provides the complete “smart” business answer for international investors looking for starting business in Belarus.

That is why it gives me particular pleasure to present you the new edition of the Investment Guide to Belarus. Our new Investment Guide provides an easy orientation point for your future business activities in Belarus.

This handbook guides you step-by-step through the business formation process in Belarus. This guide sets out detailed reasoning and the benefits of investing in Belarus, whilst providing information on the legal points to be taken into consideration during the investment process in Belarus. We hope that you find the information provided in this guide to be useful and interesting.

The National Agency of Investment and Privatization has considerable experience in helping international companies

to set up businesses in Belarus. Our comprehensive range of advisory, business information, and project support services helps to lead the way for easier international investment.

The Belarusian market has never been closer. And setting up business in Belarus has never been easier.

Welcome to Belarus!

Natalia Nikandrova

**Director of the National Agency
of Investment and Privatization**



CHAPTER I INVESTMENT OPPORTUNITIES

1. Why Belarus? Reasons to invest

Belarus is the best place for your investment while it offers:

Strategically advantageous location

Placing a business in the territory of Belarus enables companies to efficiently serve the most high-capacity and quick-growing target markets: EU countries (500 million consumers), Russia, Ukraine, Kazakhstan, and other CIS countries (280 million consumers).

Direct access to the market of the three CES countries (Belarus, Russia, Kazakhstan)

Today companies investing in Belarus automatically enter the 180-million market of the three CES countries.

Competitive investment and taxation conditions

In Belarus there are a number of preferential regimes which foreign companies can benefit from in their taxation and optimization planning. They include special beneficial business conditions in the case of organizing business within six free economic areas (0% profit tax for 5 years; 10% VAT), High-Tech Park (0% profit tax for 15 years; 0% VAT), and Industrial park "Great stone" (0% profit tax for 10 years).

Foreign companies can also derive additional profit by the maximum decrease of investment expenses and taxation burden while placing their businesses in the territory of small and medium towns of Belarus (0% profit tax for 7 years, 0% VAT for 5 years).

Belarus strives to create open and favorable conditions for business in its territory. Today the country is the leader in legislation improvement which is confirmed by the World Bank's Doing Business 2014 research. Belarus occupied the 63th place out of 189 countries, leaving Russia and Ukraine far behind. Concerning such indices as "property registration" (3th place) and "starting a business" (15th place), Belarus is one of the most attractive countries not only of the region but also of the world in general.

Developed transportation and logistics infrastructure

Due to its geo-economic location, Belarus is a transportation and logistics hub of Eurasia.

The transportation infrastructure of Belarus is represented by a broad network of motorways, railways, airlines. The thoroughfares crossing the country are the most important component of the European transportation system. Thus, Belarus is crossed by 2 cross-European transportation corridors, according to the international classification No. II (West-East – Berlin-Warsaw-Minsk-Moscow) and No. IX (North-South – Russian-Finnish border-Vyborg-St. Petersburg-Vitebsk-Gomel-Ukraine-Moldova-Bulgaria-Greece) with branch IXB – Gomel-Minsk-Vilnius-Klaipeda-Kaliningrad.

Annually over 100 million tones of European cargo cross Belarus's territory, 90% of which cargo is between Russia and the EU.

Unique privatization opportunities

Belarus provides foreign companies with unique opportunities of speedy development of their business by taking part in the privatization process in the country.

Belgrade



3,5 h
3 flights a week



Minsk



Today around 70% of industrial production falls within the governmental sector in the country. Unlike Russia, other CIS and Eastern Europe countries, Belarus has preserved the largest national companies in state ownership, which has enabled to ensure their full-scale support and, as a result, to increase their manufacturing potential and international competitiveness significantly.

Today the National Agency of Investment and Privatization, jointly with the World Bank, introduces **modern approaches and instruments** corresponding to the advanced international practice. They are aimed at establishing more open privatization conditions understandable to foreign countries in Belarus.

Highly qualified workforce

Belarus is the country of one of the most educated, highly qualified, and industrious peoples. Over 90% of the population have higher, secondary or basic education. A well-developed system of professional training as well as a high level of the industry and services development enable the Belarusian workforce work successfully in companies of any industries, be it sewing, agriculture, biotechnologies or software development.

Decent living standards

In the rating of countries by living standards published in the UN Human Development Report 2012, Belarus occupied the well-deserved 50th place (among 187) and became the renowned leader among all the CIS countries. The living, dwelling costs, the costs of education and various cultural events are lower than in the majority of Western and Eastern European countries. Besides a developed social infrastructure, Belarus has preserved a unique eco-

environment suitable for full and diverse life of people. In 2012 the researchers of Yale and Columbia Universities awarded Belarus with the best environment rating among all the CIS countries.

Favorable investment policy

The government of Belarus is taking a number of measures aimed at improving the investment climate. Favorable investment policy along with natural advantages of Belarus and existing economic opportunities resulted in steady growth of FDI. Another significant indicator is an increasing quantity of organizations with foreign investments.

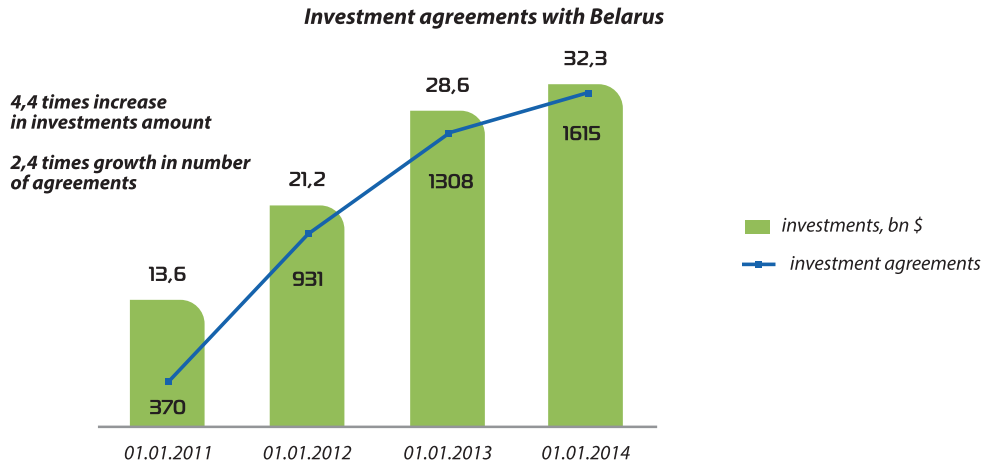
On the other hand the role of enterprises with foreign capital in Belarusian economy is constantly growing. That also stimulates the Government to take proactive measures in the field of investment policy.





Commercial organizations with foreign investments contribute more **a tenth of GDP**.

Investors can benefit more from other incentives and privileges provided under the investment agreement with Belarus when carrying out investment projects important for the government.






Budapest

2 h
2 flights a week

Minsk

1.1. Belarus in World Rankings: strong potential, good performance

	Rankings	Position
	Doing Business 2014	63th place out of 189 countries
	Progress in World Bank Doing Business	2008 – 115 2009 – 91 2010 – 69 2013 – 64 2014 – 63 2015 – top-30
	Doing Business 2014. Registering property	3th place out of 189 countries
	Legatum Prosperity Index 2012	58th place out of 142 countries
	Legatum Prosperity Index 2012 (Education)	20th place out of 142 countries
	Legatum Prosperity Index 2012 (Social capital)	24th place out of 142 countries
	UNDP Human Development Index 2014	50th place out of 187 countries 1th place of CIS

Frankfurt







2 h

3 flights a week



Minsk



	Global Services 100	13th place out of 20 countries-leaders in the sphere of IT-outsourcing and high-tech services
	Standard & Poor's	B-/B (positive)
	World Justice Project (Civil Justice)	30th place out of 99 countries
	World Justice Project (Order and Security)	33th place out of 99 countries
	World Justice Project (Absence of Corruption)	38th place out of 99 countries
	Logistics Performance Index	99th place out of 160 countries
	Bloomberg Innovation Index (Manufacturing capability)	2th place out of 155 countries
	Bloomberg Innovation Index (Tertiary efficiency)	5th place out of 155 countries
	Bloomberg Innovation Index (Patent activity)	5th place out of 155 countries

When compared to 2010, Belarus improved its position in the Human Development Index, Legatum Prosperity Index, Press Freedom Index, Global Peace Index and Perception of Corruption Index in 2014. This is evidence that quality of life remains one of the primary tasks that the authorities work on, as they see economic stability as a means to legitimize their rule.



Belarus has had a rather good showing in the UNDP Human Development Index, the Legatum Prosperity Index and the Ease of Doing Business Index. Compared to other countries in the region, Belarus usually finds itself ranked above Ukraine or Russia, but lower than Poland, Lithuania and Latvia.

Human development index

Country	Human development index ranking
Norway	1
Poland	35
Lithuania	35
Belarus	53
Russia	57
Ukraine	83

Source: United Nations

Legatum prosperity index

Country	Legatum prosperity index ranking
Singapore	1
Lithuania	43
Kazakhstan	47
Belarus	58
Russia	61
Ukraine	64

Source: Legatum Institute

ICT development index

Country	ICT development index ranking
South Korea	1
Poland	31
Russia	40
Belarus	41
Kazakhstan	48
Ukraine	68

Source: International Telecommunication Union

Easy of doing business index

Country	DB index ranking
Singapore	1
Lithuania	17
Kazakhstan	50
Belarus	63
Russia	92
Ukraine	112

Source: World Bank

Hannover



2 h
2 flights a week



Minsk



2. Promising sectors for FDI

To improve the investment climate, in January 2012 the government launched a new program “the strategy of Attracting Foreign direct Investment until 2015”. The focus of the program is, inter alia, on reducing the state share in the Belarusian economy, privatizing state-owned assets and creating favorable conditions to foster development of private businesses in prospective economic sectors.

Investment opportunities

Financial sector	Rapid growth, open for foreign investors, up-to-date standards of corporate governance and reporting
Telecommunications	Low level of development of cable and Internet services, room for development of up-to-date infrastructure
Retail trade	Under saturated domestic market, domineered by private sector, up side potential in medium- sized towns with high level of household incomes
Wood processing	Rich local resource base, low logistics costs
Logistics	Advantageous transit location, underdeveloped logistics infrastructure
IT & Innovations	Availability of scientific infrastructure, highly-educated labor force, tax concessions and customs privileges applied to companies operative in special economic areas
Machinery	Outdated technologies requiring replacement, government support to domestic market, broad access to the Russian market
Petrochemicals	Solid industrial base, access to the Russian energy resources

Helsinki



1,5 h
3 flights a week



Minsk



2.1. Pharmaceutical industry

Access to the large and dynamic market

Pharmaceutical products manufacturing in Belarus provides duty-free access to the large and dynamic market of three CES (Common Economic Space) member states (Russia, Belarus, and Kazakhstan).

Consumption per capita, \$

Belarus

80,9

Russia

228

Kazakhstan

96,6



Istanbul



2,5 h

4 flights a week



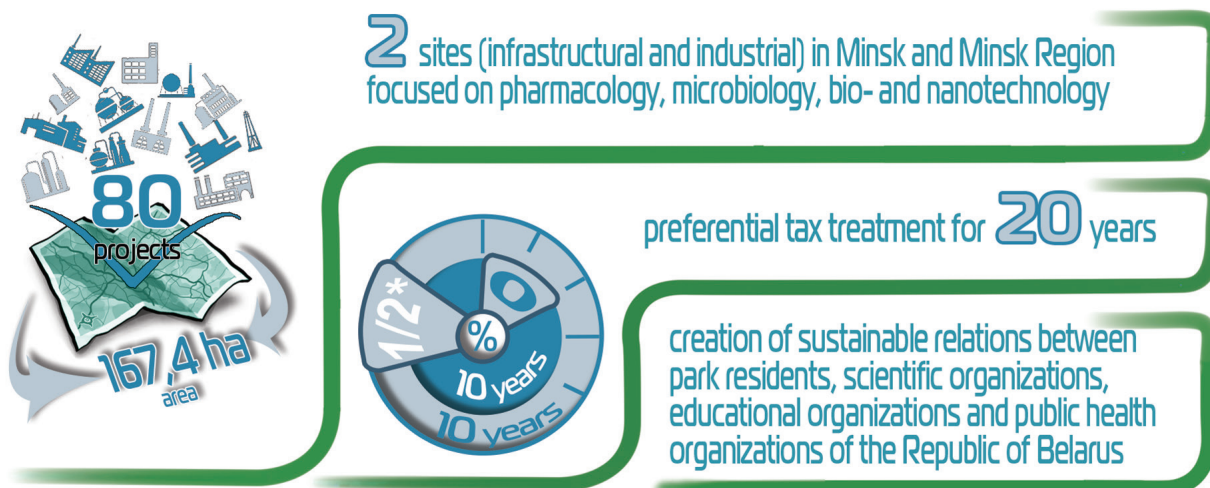
Minsk



Investment opportunities

Unique preferential treatment within the industrial zone of «BelBioGrad»

Within «BelBioGrad» there will be provided unique tax and infrastructural conditions for the set-up of a modern internationally integrated pharmaceutical, nano- and biotechnological cluster.

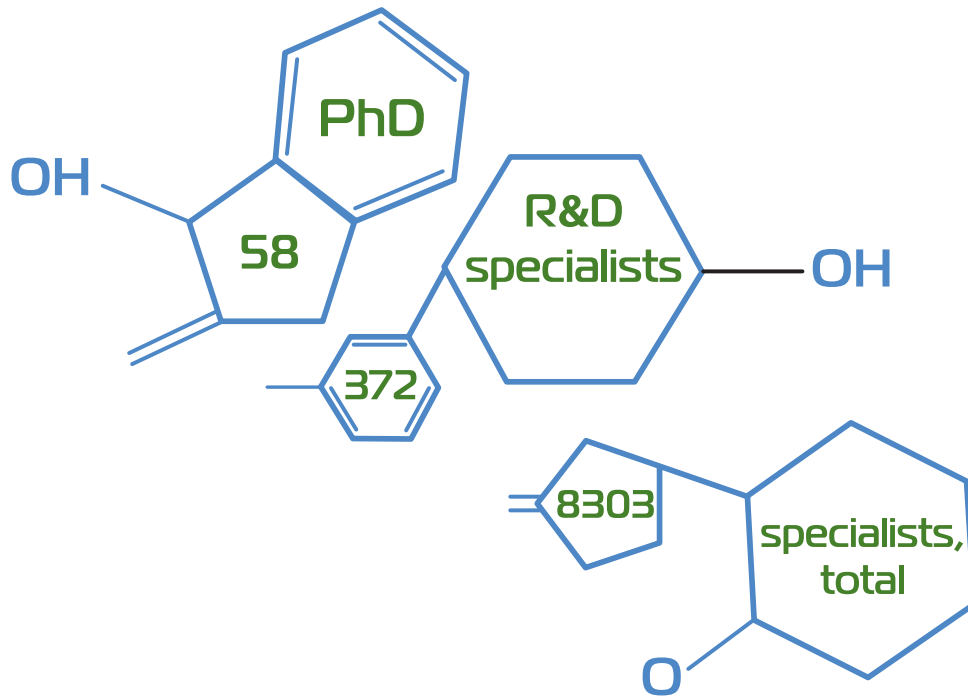


* -50% tax rate



Developed HR potential

Pharmaceutical industry of the Republic of Belarus employs more than 5,9 thsd. professionals of different levels of preparation and a wide range of skills. Each year, they are joined in large measure by additional 500 graduates, which create a stable basis for a personnel inflow into new manufactories and segments of the industry.



Governmental support of investment projects in the sphere of pharmaceuticals

It has been passed the comprehensive state program for the development of pharmaceutical industry in the Republic of Belarus. According to this program the share of locally produced medicines consumed in the country should account for 50% by 2015 (in 2012 this indicator made 30.6% in monetary terms).



The high level of integration of the Republic of Belarus into the international system of preproduction testing and medicines quality control

Belarus is ranked fourth by the WHO Pharmacovigilance among 101 member states.



2.2. Renewable Energy. High natural and resource potential

The Republic of Belarus has at its disposal a significant potential for development of renewable energy sources.



- 1840 sites for potential wind farms location with multiple grid connection points
- 440-460 MW of total wind power generating capacity is to be installed until 2015 in accordance with the National Program for Development of Local and RE Sources
- 1600 MW possible wind energy capacity
- 4.9-5.3 m/s is average background wind speed at the height of 10 m
- 3.9 MW total installed capacity in Belarus



- 102,1 MW is the total capacity of 33 hydropower plants, which are to be built until 2015 in accordance with the National Program
- 850 MW possible hydroenergy capacity
- the largest hydropower potential is concentrated in Grodno, Vitebsk and Mogilev regions in the river basins of Neman, Western Dvina and Dnepr
- 33,4 MW total installed capacity of 49 existing hydropower plants



- large economic potential for the use of biogas and biomass, availability of the necessary raw materials (municipal solid waste, agricultural waste, waste water treatment facilities, etc.)
- 37,9 MW is the total capacity of 38 biogas plants, which are to be built until 2015 in accordance with the National Program
- 850 MW possible bioenergy capacity
- 14,7 MW total installed capacity of biogas plants
- >600 MW total installed capacity of biomass plants



- potential effectiveness of the use of solar panels on the territory of Belarus due to the favorable conditions of insolation is more than 10% higher than in Poland and the Netherlands and more than 17% higher than in Germany, Belgium, Denmark, Ireland, United Kingdom
- the highest feed-in-tariff offered to producers of electricity from renewables in Belarus
- several investment projects on building solar power plants with total capacity of 120 MW are in the implementation stage

Milan



3 h

4 flights a week



Minsk



High feed-in-tariffs

The tariffs for electricity produced from RES are set based on electric energy tariffs for industrial and equivalent consumers with the connected capacity of up to 750 kVA that are indexed to the USD exchange rate, using multiplying factors differentiated depending on the type of a renewable energy source:

Type of energy source	Feed-in-tariff for the first 10 years from the date of commissioning of electricity generation	Feed-in-tariff for the next 10 years of operation
electricity from natural movement of water	1.1 (USD 0,15 per 1 kWh as of June 17, 2014)	0.85 (USD 0,12 per 1 kWh as of June 17, 2014)
electricity from wind, wood, biogas, geothermal and other renewables	1.3 (USD 0,18 per 1 kWh as of June 17, 2014)	
solar energy	2.7 (USD 0,37 per 1 kWh as of June 17, 2014)	

Substantial governmental support

Systematic work on development of renewable energy sector is organized and supported by all levels state authorities and is expressed in:

- a) providing legal guarantees
 - guaranteed connection to the state electricity grid;
 - guaranteed purchase by the state energy utility of all proposed energy produced from RES;
 - guaranteed payment of all energy produced from RES at preferential tariffs.
- b) stimulating public policy
 - State Program for Construction of Biogas Plants for 2010-2015;
 - State Program for Construction of Hydropower Plants for 2011-2015;
 - National Program for Development of Local and RE Sources for 2011-2015.

Developed electricity grid and rich land resources

The Republic of Belarus has a well-developed power supply system with total installed capacity of 8,367 MW and total length of state electricity grid of more than 240 thousand kilometers, and the existing infrastructure is being developed at a significant pace (6 billion USD are to be invested in the development of the Belarusian energy system for 2011-2015).

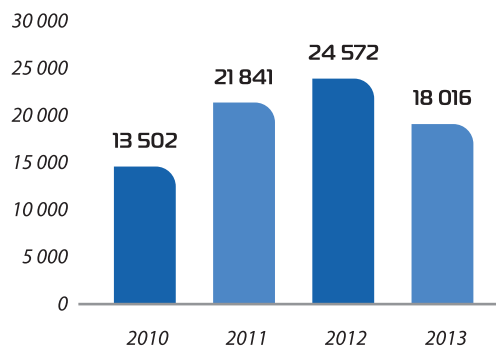
The availability of free land resources allows to promptly select an appropriate land plot according to the requested characteristics (size, planned RE capacity to be fed in etc.). The density of the country's electricity grid coverage is considered as high, what significantly simplifies the procedure of determining a suitable grid connection point.

2.3. Automotive Industry

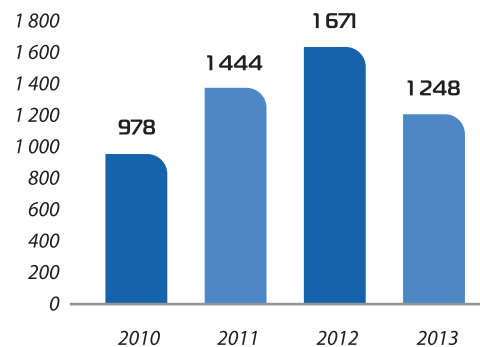
The industry is widely recognized for the long-standing tradition and its competence in machine building and manufacturing. Most companies in the sector originated as factories manufacturing equipment for the transportation of minerals, as manufacturers of tractors or as parts and components suppliers.

The automotive industry is the 3d biggest sector of the country's industrial activity, with focus on production of own designed superheavy, heavy and middle trucks mainly plus post-Soviet developed buses, trolleybuses and trams. The main assemblers in the country include MAZ, MAZ-MAN, BELAZ and Neman.

Production of freight vehicles, units



Production of rock handlers, units



Nice



3 h

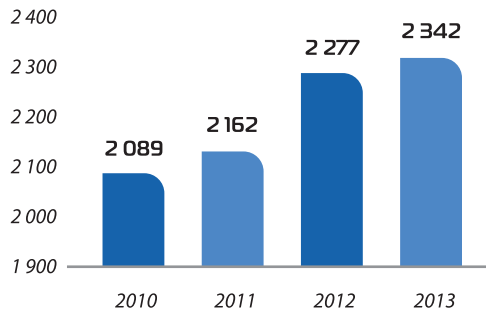
3 flights a week



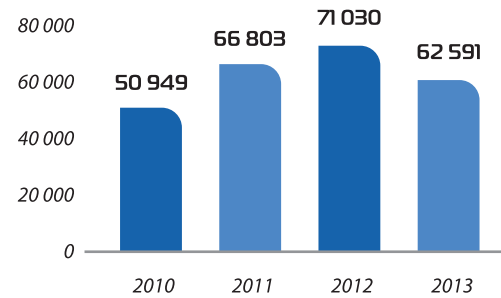
Minsk



Production of buses, units

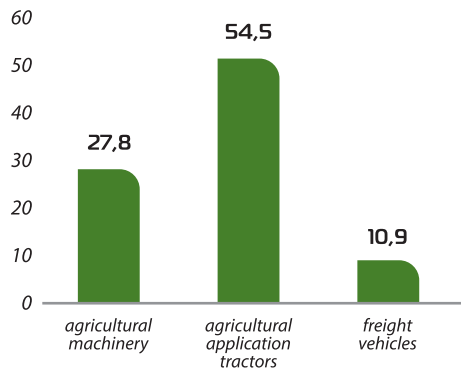


Production of agricultural application tractors, units

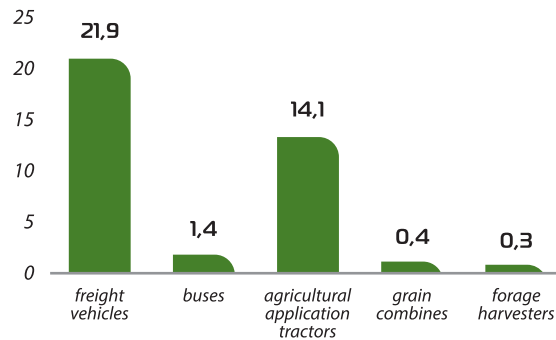


Tractors and heavy commercial vehicles (trucks) are among the main industrial products manufactured, consumed within the country and exported.

Production of buses, thsd units

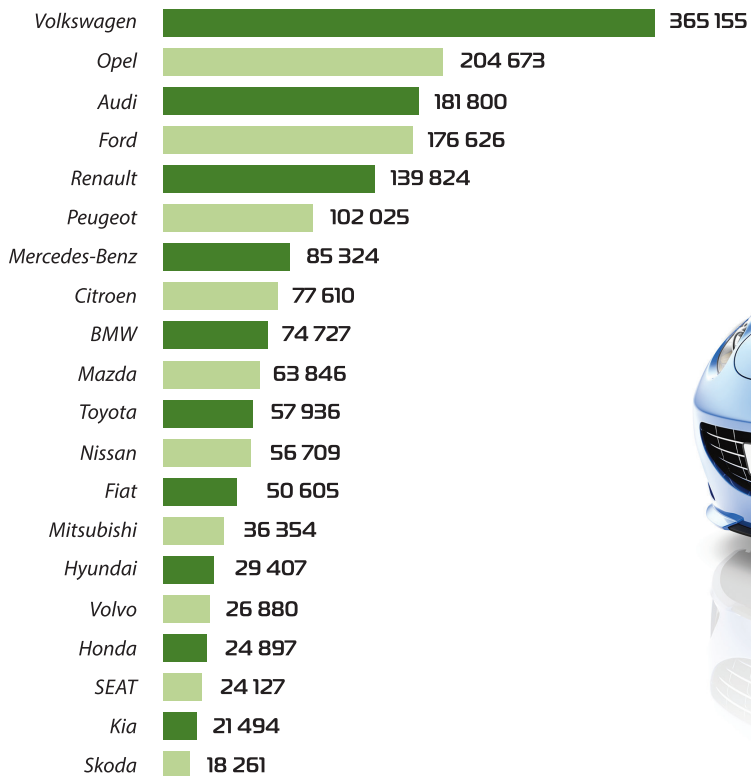


Domestic market capacity for the main production items, thsd units



Motorization degree ratio in Belarus is one of the largest among former Soviet states and accounts to 290,4 passenger cars per every 1000 of the population. As of 01.01.2013 the number of registered vehicles accounted to 3 817 792.

**20 most popular foreign marques
(by number of registered cars), units**



Prague



2 h
1 flight daily

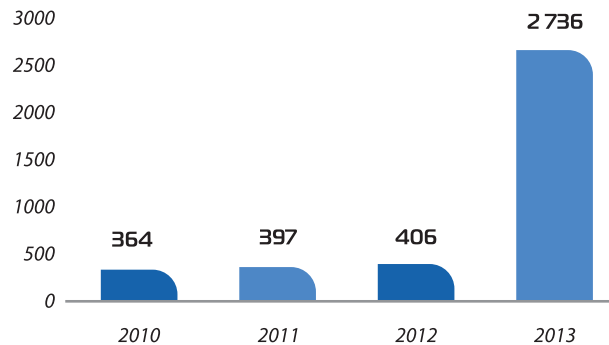


Minsk



Having succeeded in automobile manufacturing in Belarus, German MAN cooperates with MAZ on continuing basis now. Geely and General Motors followed them and launched production of their cars by means of cooperating with Belarusian enterprises too.

Production of passenger cars, units



The industry has consistently been a central aspect in legislation and in innovative policies. The most relevant targets of the policies to meet in the years 2011-2015 are the following:

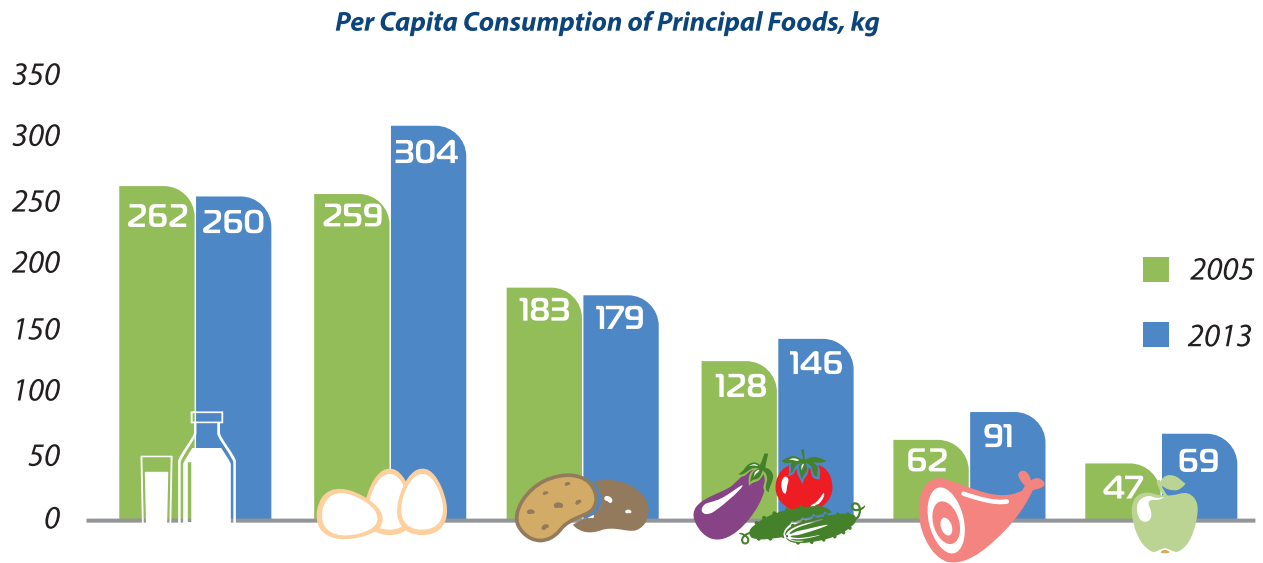
- restructuring and creation of an integrated industry (considering national and foreign investment);
- radical renewal of the production equipment used and the introduction of innovative technologies;
- rapid renewal of fixed assets, production of high-quality, marketable products, including meeting the requirements of Euro V and Euro VI;
- granting tax and customs privileges to automotive entities related to the Ministry of Industry and exempting them from paying import customs duties and value-added tax on imports of processed equipment and components for the production of automotive products;
- supplying agro-industrial complexes with more than 40,000 units of modern machinery and equipment, which are to be bought only from domestic enterprises;
- upgrading of public buses and trucks.

2.4. Food industry

The functioning of the Customs Union (CU) and the establishment of the Common Economic Space (CES) of Belarus, Kazakhstan and Russia opens to foreign investors in Belarus entirely new prospects. Belarus is the largest supplier of food products to the CIS countries and has a favorable geographical position to gain status as a leader in the region.

Growth potential

The growth potential of the food industry in the coming years will remain at a high level as the capacity of this segment is not fully disclosed and therefore represents good opportunities for domestic and foreign investors.



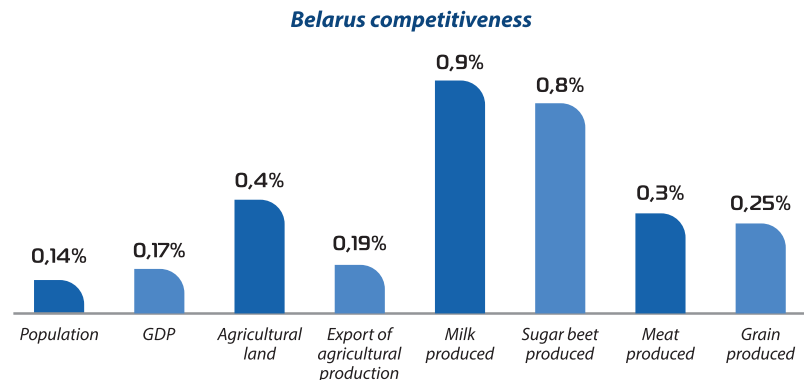
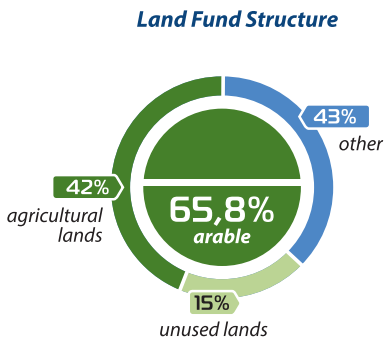
Raw materials

Food industry plays a leading role in the structure of industrial production in Belarus. Along with metallurgic production and fuel complex, food industry is a leader in the production of industrial goods. Belarus has high potential for development of food industry in Belarus due to availability of raw materials and to abundance of products produced by agriculture. Belarus has a considerable production, labor and land resources in the countryside.



The agriculture sector plays a significant role in the Belarusian economy. The country is rich in good soils, qualified labor and has a fair agricultural potential. Belarusian agri-production provides more than 90% of the food supply and ensures national food security.

Occupying only 0.15% of the world's territory and with a population of 9.49 million, the Republic of Belarus accounts for 6.24% of flax fiber, 2.8% of potatoes, 0.9% of milk, 0.8% of sugar beet, 0.3 % of meat in carcass weight and 0.25% of grain produced worldwide.



Saint Petersburg

1,5 h
2 flights daily

Minsk

The Republic of Belarus is the leader among the CIS countries in the production of dairy and meat products, as well as in growing potatoes.

By per person estimation the Republic of Belarus is the leader among the CIS countries in the production of dairy and meat products, and in growing potatoes



The UN Food and Agriculture Organization (FAO) considers the Republic of Belarus an important producer of major agricultural produce. According to the FAO Belarus entered the list of the top 20 leading exporting countries by all key export items, and the list of top 10 world's leading exporters of food by 6 major exports.

The review published on November 1, 2013 by FAO reports that following the results of 2013 Belarus is ranked among the leaders in the pork and beef meat market. In this context, FAO predicts increase in Belarusian meat products exports to the foreign markets.

According to the above mentioned review, Belarus is predicted to take the 3rd place in the world as the producer of butter (75 thousand tons), only behind New Zealand (451 thousand tons) and the EU (125 thousand tons), and the 6th place as the producer of cheese (140 thousand tons).

	Belarus' ranking among the top 20 exporters by physical volume of exports	Belarus' share in the top 20 exporters' exports by volume, percent
Condensed milk	2	13.0
Butter	3	4.0
Whole milk evp	4	5.7
Cranberry	5	4.8
Cattle meat	6	7.3
Cheese	6	2.6
Skimmed milk	9	3.2
Refined sugar	10	2.5
Cow milk, whole, fresh	11	2.1
Pork sausage	13	3.0

3. One-stop shop for investors. National Agency for Investment and Privatization

National Agency for Investment and Privatization aims to assist foreign investors to find a niche for doing business in Belarus. The Agency acts as a “one stop shop” for foreign direct investors at no cost.

3.1. Services

Information services

- Handling investor enquiries
- Providing information on doing business conditions and investment climate in Belarus
- Priority FDI sector analysis
- Investment proposals

Site selection support

- Greenfield and brown field opportunities search
- Site visits
- Facilitation in liaising with local authorities

Organizing fact-finding trips to Belarus

- Visit arrangements (visa facilitation, accommodation, logistics)
- Meetings schedule development (negotiations with local authorities, private institutions, potential partners)
- Accompanying and assisting at meetings
- Follow-up

Project Management

- Developing a road map of a project implementation
- Supplier, service provider and JV partner search and contact
- Liaising with state bodies and industry regulators
- Assistance in solving administrative issues

Aftercare

In the framework of «aftercare» the Agency provides support to facilitate the re-investment and enterprise development, including:

- assistance in the selection of suitable land, real estate and investment projects
- search for business partners
- providing information about obtaining investment incentives
- ensuring negotiations with local and state authorities
- assistance in solving problems in the implementation of the investment project
- transfer investors’ proposals on improving the investment climate to the Belarusian Government and etc.



3.2. Pilot privatization project. Implementing best international practices

One of the main goals of the Agency is to launch and manage a case-by-case privatization process in the Republic of Belarus in accordance with international best practices.

Under a Grant Agreement signed between the Ministry of Economy of the Republic of Belarus and the International Bank for Reconstruction and Development (international technical assistance project No. 2/11/000466 dd. 28 April 2011) the Ministry of Finance of Austria established a Trust Fund in the amount of 3.6 million US dollars for duration of up to five years to support the Belarus Pilot Privatization Project implemented by the Agency. The project is executed under the supervision of the World Bank.

A case-by-case privatization process is aimed at:

- attracting the best strategic investors of either domestic or foreign origin able to ensure further development of the company;
- generating revenues to the state budget as a result of successful sales;
- minimizing the potential negative social impact of these transactions.

The Pilot Privatization Project includes the following stages:

Stage 1. Selection of companies

Eight small and medium sized State Owned Enterprises (SOEs) representing different industrial sectors have been identified for the first Pilot Privatization and assigned to the Agency to privatize.

POOL 1

Company	Main activity	Staff	Value of net assets, BYR mln
OJSC «Baranovichi Reinforced Concrete Products Pant»	Production of building blocks, ready mixed concrete, other articles of concrete, plaster and cement	577	323 795
OJSC «Belsantekhmontazh-2»	Construction and installation, starting-up and adjustment, repair work on sanitary-engineering, gas and ventilating systems	1 676	555 639
OJSC «Avtomagistral»	Maintenance and construction of roads, airfields and sports constructions	544	100 698
OJSC «Construction and Mounting Trust № 8»	Building services	632	391 455

Vienna



2 h
2 flights daily



Minsk



POOL 2

Company	Main activity	Staff	Value of net assets, BYR mln
OJSC «Medplast»	Production of medical instruments, plastic products	262	75 598
OJSC «Belgazstroy»	Construction, installation and adjustment of objects of gas supply and other engineering networks and constructions	850	56 953

POOL 3

Company	Main activity	Staff	Value of net assets, BYR mln
OJSC «Konfa»	Production of confectionery: biscuits, cakes, waffles	364	69 662
OJSC «Minsk Margarine Plant»	Manufacture of margarine and mayonnaise, processing, storage and sale of agricultural products	429	290 680

Stage 2. Involvement of Financial Advisors

A core component of the project includes the involvement of Financial Advisors (internationally reputable investment banks or advisory firms) to assist Agency to execute the privatization transactions, including all preparatory work, structuring the sale, implementing the actual sale and performing appropriate post-sale activities for the privatization of the State Owned Enterprises (SOEs).

The Agency is working with such Consultants as “Ernst & Young”, “KPMG”, “Mattig management partners”, numerous local lawyers firms.



Vilnius



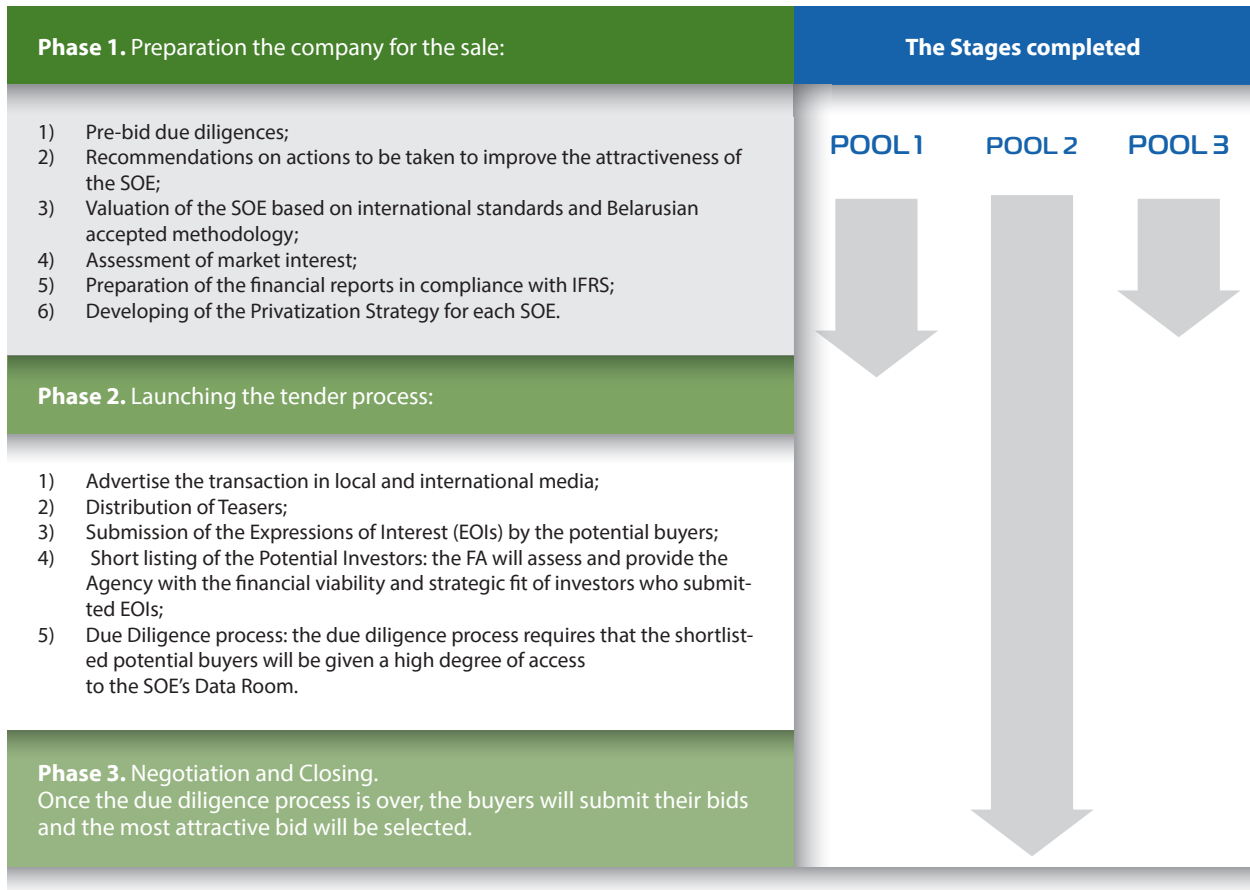
0,5h
2 flights daily



Minsk



Stage 3. Preparation of SOEs



Stage 4. Interest analysis

The Financial advisor jointly with the Agency undertakes the final stage. During a fourth stage the team works closely with the short-listed potential investors through:

- Drawing up and circulation of an information memorandum;
- Informing potential strategic investors;
- Inspection of strategic compatibility of the investors which have expressed their interest;
- Access of potential investors to the companies' Data Room required to carry out the procedure of complete inspection;
- Analysis and evaluation of the investment offers potential investors, holding negotiations.

Stage 5. Making a privatization deal

On the final stage the Agency signs a contract with the strategic investor who went successfully through the tender process. After the contract is signed the Government receives a payment for the privatized enterprise.



AshgabatAbu-Dhabi



5,5h
1 flight daily



Minsk



Chapter II Belarusian economy

4. Economy of Belarus. Overview

The Government's initial response to the 2008 global economic and financial crisis included tight macroeconomic policy and an adjustment of the exchange rate in 2009, with the support of external financing, including from the International Monetary Fund. Subsequent expansionary fiscal and monetary policies forced an economic recovery in 2010, which was followed by a further deterioration of the current account deficit, and heightened pressure on the exchange rate and foreign exchange reserves though. As a result the Belarusian rubel (BYR) lost almost 70 percent of its value relative to the USD and inflation achieved the level of almost 109 percent in 2011.

Tight monetary and fiscal policy in late 2011 and through 2012 helped to contain inflation to less than 22 percent in 2012 and kept the downward trend in 2013, when the inflation continued to fall to less than 17 percent. The nominal exchange rate has stabilized and appreciated modestly in 2012 and 2013.

In 2013, the Belarusian economy was developing in the context of decelerating growth rates of both the global economy as a whole and the economies of the countries which are major trade partners of the Republic of Belarus. Shrinking of the main export markets for Belarusian goods and decreasing external demand for domestic products led to the slowdown in economic growth rates of the country.

Different approaches of the assessment of the potential output growth rate provide estimates between 1.5 and 4%.

Given a cyclical phase of recession in 2013, the actual output growth rate has become lower than the potential one. The cyclical recession, in turn, stemmed from a number of channels. First, there were domestic ones consequent to the inheritance of the currency crisis in 2011. Since then, inflation and devaluation expectations have been pretty high and volatile, which determined high and volatile interest rates on the financial market. This caused a depression of capital investments, given the lack of accessible and affordable financial sources for them. Second, the government intended to secure high growth of real wages. On the one hand, it helped to expand consumer demand. But on the other hand, due to increasing costs on salaries and wages, Belarusian producers faced a loss in competitiveness, which resulted in shrinking foreign demand. Third, in some markets, foreign demand contracted given other exogenous shocks. For instance, the 'potash war' between Belaruskali and Uralkali led to a sharp contraction in exports of Belarusian potash fertilizers.

The economic growth was maintained, primarily, due to the resumption of investment activities and continued high growth rates of consumer demand owing to the maintenance of households' real incomes at a fairly high level. At the same time, the budgetary policy was still moderately strict while balancing between the need to maintain macroeconomic well-balance and tackle the state's social and economic tasks of primary importance.

However, in 2014 a long-term trend of declining potential growth rate seems to have been stopped, and the potential growth is likely to stabilize around current values. Furthermore, new initiatives by the government (enhancing more competitiveness between state-owned and private firms, less directed lending, etc.) may somehow strengthen



growth potential. Second, some engines of cyclical recession are likely to have been mitigated. For instance, there are certain improvements in respect to foreign demand: some foreign markets of capital goods demonstrate the signs of recovery in comparison to previous year (tractors, trucks); the supplies of potash fertilizers are expanding in physical volumes, given the market shutdown in the previous year.

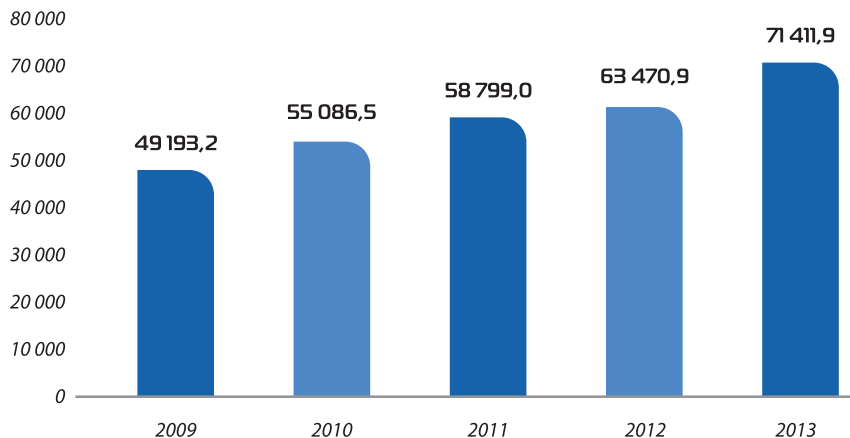
Moreover, in the first quarter of 2014 Belarus succeeded to restrict imports of non-energy intermediary goods considerably, which further improves foreign demand

on a net basis. In the domestic economy, although the environment in financial markets is still vulnerable, the authorities are somehow successful in reducing interest rates and enhancing more financial sources for capital investments. These trends in 2014 seem to secure a modest growth of GDP accompanied with slight improvements in net exports.

Macroeconomic Indicators.

4.1. Nominal GDP

The history of nominal GDP, mln USD



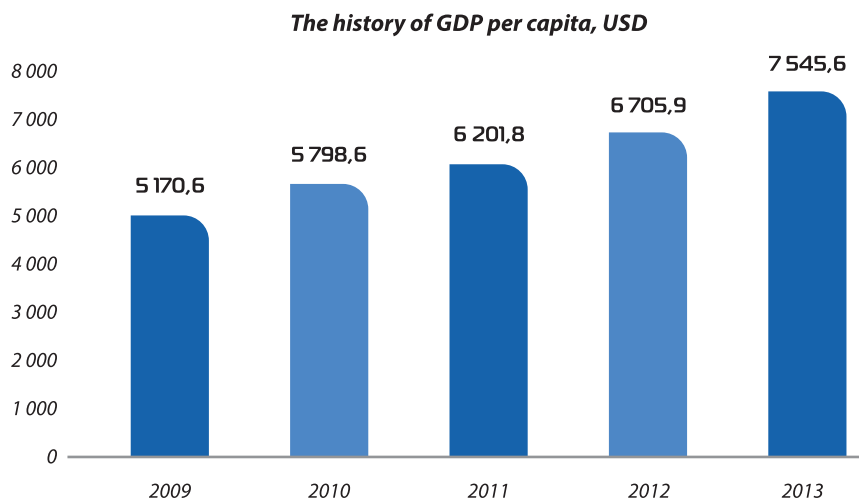
Source: National Statistical Committee of the Republic of Belarus, National Bank of the Republic of Belarus

In 2013, real growth rates of GDP totaled 100.9% (101.7% in 2012). The economic growth was assured, primarily, at the expense of the maintenance of high growth rates of consumer demand (due to keeping households' real income at a rather high level) and resumption of investment activity.



4.2. GDP per capita

Throughout the period 2009-2013, to a less extent in the year 2013, the negative trend in the demographic situation in Belarus prevails. This increases GDP per capita with the other conditions being equal.

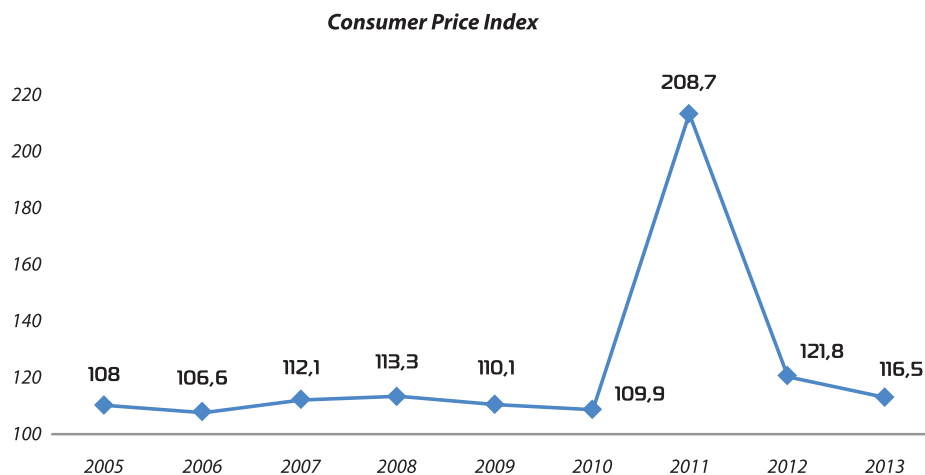


Source: National Statistical Committee of the Republic of Belarus, National Bank of the Republic of Belarus, proper calculations



4.3. Consumer Price Index

Inflation in 2011 was mainly accelerated by the large-scale devaluation of the Belarusian ruble, which led to an almost three times depreciation of the national currency since the beginning of the year. Taking into account the direct imports and the proportion of imported raw materials and fuels used in production of the goods going into the consumer market, the devaluation could lead to a 90% increase in consumer prices.



Source: National Statistical Committee of the Republic of Belarus

Baku



3,5 h
2 flights a week



Minsk



4.4. Exchange Rate Policy

From 2011 ongoing, following the recommendations of the IMF, the policy of floating exchange rate is successfully conducted in the country, and the official exchange rate is determined on the basis of currency market rates. Exchange rate in Belarus is formed based on the demand for and supply of foreign exchange. The National Bank carries out limited foreign exchange interventions with a view to restraining sharp fluctuations of exchange rate.

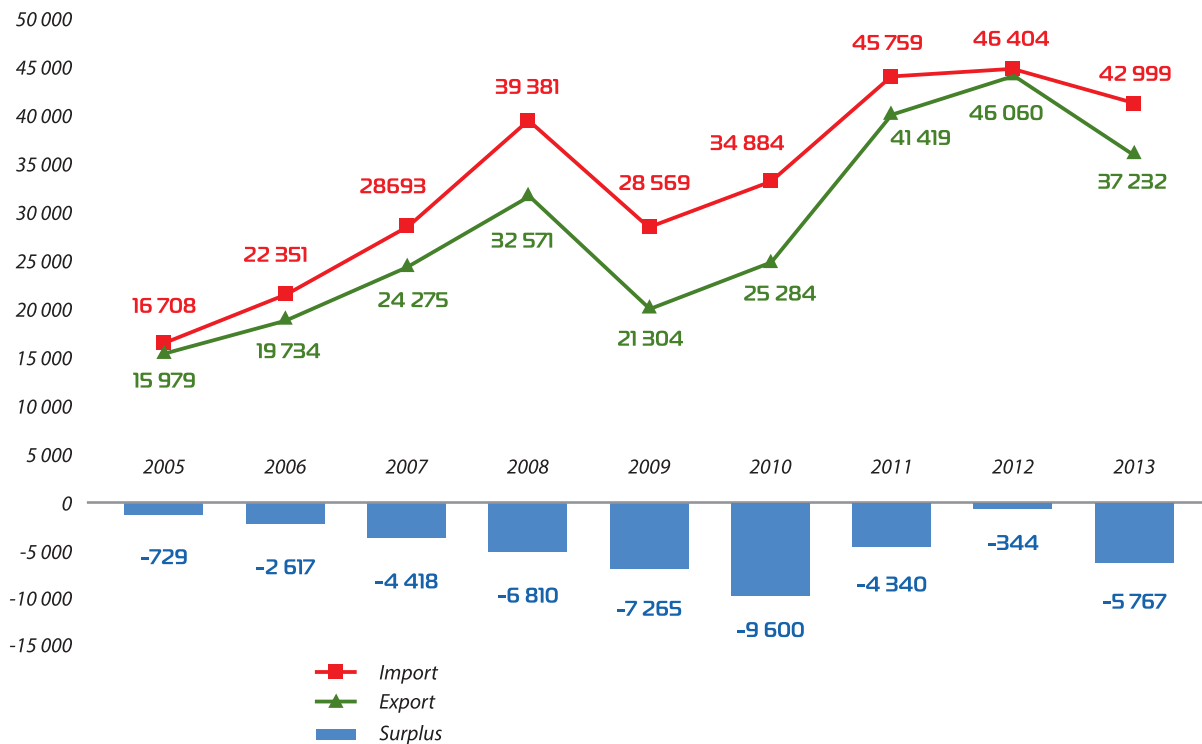
4.5. International Trade

The value indicators of export and import to a considerable degree are influenced by the depreciation occurred in 2009 and 2011. As an additional factor, the use of schemes with the supplies of solvents and lubricants boosted export volumes in 2012. The decrease in dynamics of total export volumes in 2013 is caused by the reduction in the physical volume of exports of intermediate goods, both energy and non-energy ones; the share of consumer and investment goods increased though.

Stable positive export surplus of services is driven to a large extent by transport, telecommunications, computer, and information services.



Dynamics of foreign trade of goods and services, mln USD



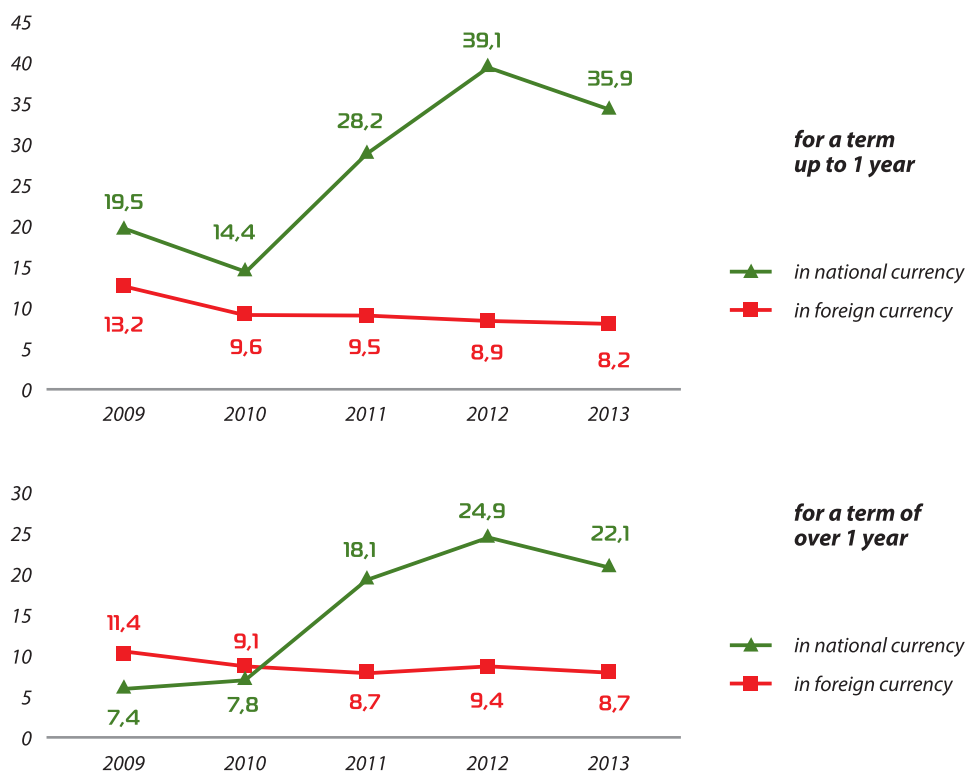
Source: National Statistical Committee of the Republic of Belarus



4.6. Credit Rates for Legal Persons

Due to some amount of crediting of special state programs, both in national and foreign currency, the rate does not reflect the situation in the market fully, and thus should be subject to allowances.

Dynamics of interest rate on newly provided credits for legal persons, % per annum

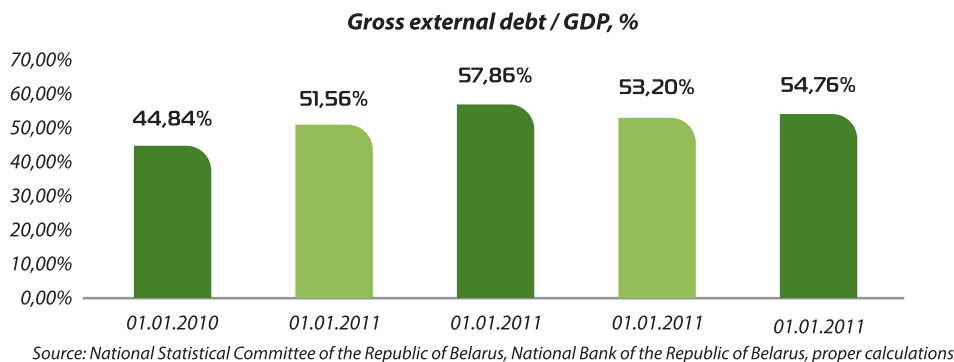
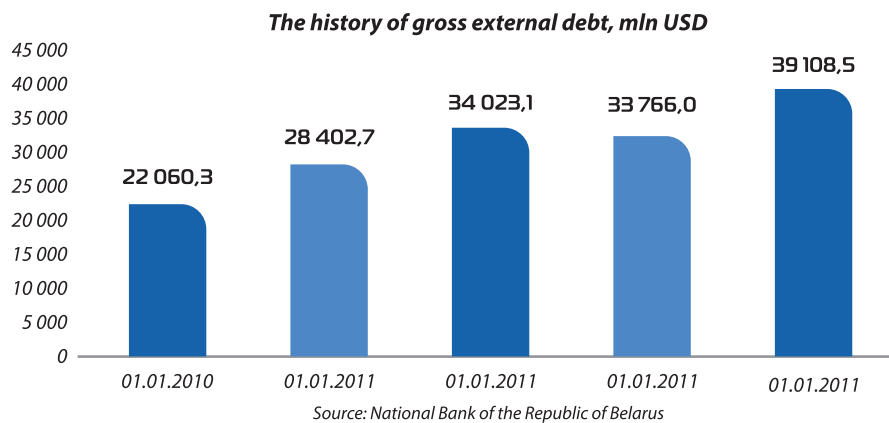


Source: National Statistical Committee of the Republic of Belarus

4.7. Gross External Debt

The increase in the gross external debt was caused by the need in external borrowings, which in turn occurred due to the negative situation with the current transactions. In 2013 external loans in the amount of 1 795,6 million dollars were borrowed and the gross external debt was repaid by 1 690,4 million dollars.

Notwithstanding the stable growth of the gross external debt amount, its ratio to GDP remains at a low level.



5. International cooperation and foreign capital in Belarus

The structure of the industry have identified a high degree of openness of the economy of the Republic of Belarus, its focus on foreign markets. More than 50 percent of goods produced in the country are delivered for export. In the wake of the world financial downturn, the foreign trade of Belarus changed structurally. Today the country adopted a trade policy to increase the share of high-tech products in exports and diversify supplies to foreign markets.

The Republic of Belarus traditionally implements a multi-vector foreign trade policy, supports trade contacts with foreign countries, actively participates in international integration processes.

Today Belarus has trade relations with more than 180 countries around the world.

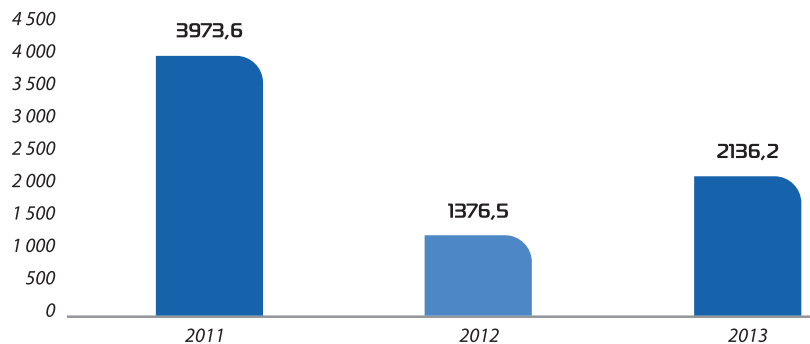
Russian Federation is the major trade partner of the Republic of Belarus, it accounts for 40 percent of export and more than a half of volume of an import.

The European Union is the second largest trade partner of the Republic of Belarus, it accounts more than 28 percent of export and one fifth of import. The main partner in the EU are the Netherlands, Latvia, Germany, Poland, Lithuania, Italy, Great Britain, Belgium, Czech Republic, France. Belarus has been developing cooperation with partners in the integration associations and organizations of the post-Soviet countries: CIS, EurAsEC and CSTO.

A need to mitigate the aftermath of the global economic crisis and launch structural financial reforms prompted more cooperation with the key economic and financial organizations such as the International Monetary Fund, World Bank, European Bank for Reconstruction and Development, UN Economic Commission for Europe and UN Conference on Trade and Development (UNCTAD).

5.1. FDI on net basis

Foreign direct investments on net basis (without due account for the indebtedness to direct investor for goods, works, and services), mln USD



Source: National Statistical Committee of the Republic of Belarus

Budapest



2 h

2 flights a week



Minsk



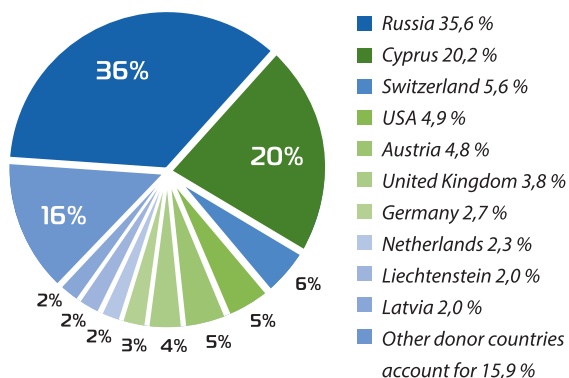
On 17 April 2013 Standard and Poor's upgraded its outlook on Belarus sovereign rating from stable to positive. According to the agency, strengthening economic stability was brought on by tightened monetary and fiscal policies. The beneficial change means more than a pleasant evaluation of the country's performance, but also a signal to foreign investors, which Belarus needs now more than ever. The facts suggest that Belarus' politics plays a less significant role for foreign investments' inflow than one could imagine. Even more, statistics shows increase of investments into Belarus.

Growth of the gross volume of foreign investments registered in recent years in Belarus, and more symbolic,

the increase of foreign direct investment in them. Thus, for example in 2006, this figure was 18.5%, and in 2012 the share of FDI was about 74.1%.

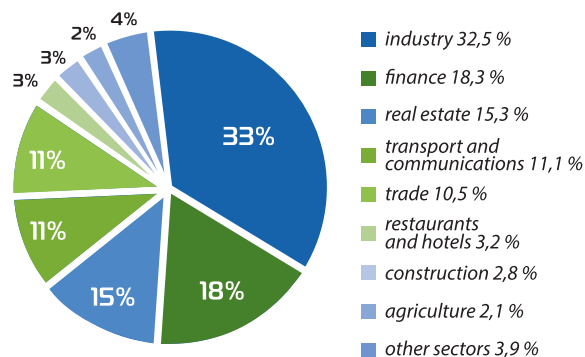
The growth of FDI on net basis in 2011 is related to the selling of 50 % of shares of the OJSC "Beltransgaz" for USD 2,5 billion. In 2012 FDI on net basis was USD 1,4 billion. In 2013, foreign investors invested USD 15 billion of gross foreign investments in the real sector of the economy of Belarus, including \$2,1 billion foreign direct investment on net basis.

2013 TOP-10 of donor-countries of FDI on net basis to the Republic of Belarus



Source: National Statistical Committee of the Republic of Belarus

The structure of FDI on net bases directed in 2013 to organizations by types of economic activities



Source: National Statistical Committee of the Republic of Belarus

Frankfurt



2 h
3 flights a week



Minsk



5.2. Belarus–Russia relations

Russia is the largest and most important partner for Belarus both in the political and economic fields.

Russia is a key trade partner and a major export market for Belarusian goods. Over the previous ten years, the Belarus–Russia trade turnover increased more than four times, reaching \$39.5 billion of mutual trade in 2013.

Belarus ranked second in trade with Russia among the countries of the Commonwealth of Independent States (CIS), taking up the sixth place among all major Russian foreign trade counterparts.

In 2013 Russia accounted for 49.6 percent of the aggregate foreign trade and 45 percent of the Belarusian exports. The exports increased by 3 percent and reached \$16,8 bn.

Belarus and Russia achieved the highest results in such sensible area of cooperation as energy. Fulfilling conscientiously its international obligations in the sphere of energy transit to European countries Belarus makes an important contribution to regional energy security.

Along with cooperation in the framework of the Union State of Belarus and Russia the countries support the strengthening of multilateral relations and actively participate in other integration projects on the post-Soviet space.

Belarus is already involved in the Russian projects of economic integration, such as the Customs Union and the Common Economic Space, and the Russian influence is enhanced by the fact that since mid-2010, the country

remains the most important creditor of Belarus.

Russian investments in Belarus

Russia is the main investor in the Belarusian economy.

In 2013 Russian companies have invested \$5,140 million in the Belarusian economy. On the share of Russian Federation there is 36,5 % of the total influx of foreign investments.

The deepening of cooperation between Belarus and Russia is an objective process based on the will of the two countries. Russia has always been one of the main strategic trade partners for Belarus with high influence on domestic business development. That is why Russian investments in Belarus play a significant role.

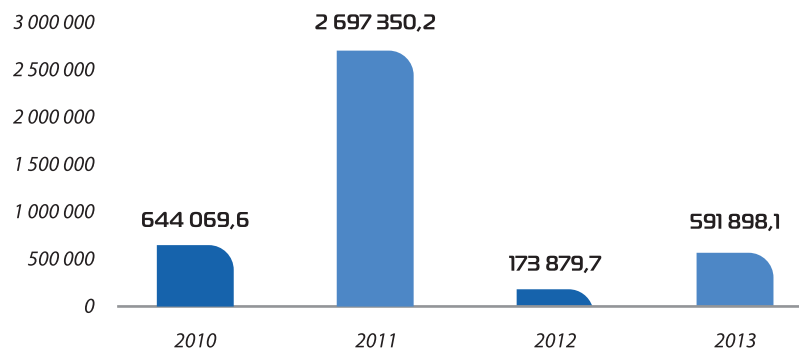
In Belarus, there are seven banks controlled by Russian financial institutions, with their capital amounting to one-fourth of the aggregate capital of the entire Belarusian banking sector there are 2,500 businesses involving Russian capital in Belarus.

Primary investment counterparties are Russian companies interested in the modernization of Belarusian enterprises, and embedding them in the Russian production chain.

In 2007 and 2011 Belarus sold to Russia one of its major assets - the Beltransgaz company, which controlled the transit of gas from Russia to Europe in Belarus. The deal ensured that Belarus would receive discounted gas prices for many years.

In 2014 Russia and Belarus agreed on the acquisition of three Belarusian military and high-tech large-scale industrial complexes.



FDI net inflows from Russia, thsd USD

Customs Union and Common Economic Space of Belarus, Kazakhstan and Russia

The conversion from a partner to a vassal became most noticeable during the creation of the Customs Union between Belarus, Russia and Kazakhstan, and the Common Economic Space consisting of the same countries. The first organization originated in 2010, the second – in 2012.

These structures lay the groundwork for the functioning of a common market.

In July 2010 the Customs Code of the Customs Union came into force. The Customs Union eliminated tariff and non-tariff barriers in mutual trade, unified and greatly simplified foreign trade procedures, lifted controls at internal borders. All these has ensured the free movement of goods between Belarus, Kazakhstan and Russia.

Starting from January 1, 2012 SEC opened the way for the creation of essential conditions in the field of free movement of goods, services, capital and equal conditions for businesses.

In the framework of the CES other than the freedom of movement of goods the freedom of movement of services, capital and labor is also ensured.

In the CES coordinated macro-economic policies based on common principles and rules of competition and regulation of natural monopolies are provided. The states have agreed on common approaches to the support of industry and agriculture, as well as the implementation of public procurement.

CES contracts recorded to ensure non-discrimination and equal access of parties to services of natural monopolies in the electricity, gas transport, rail transport, including the basics of pricing and tariff policy.

Hannover



2 h
2 flights a week



Minsk



Today companies investing in Belarus automatically enter the 180-million market of the three CES countries.

The CES is

- A common customs territory of Belarus, Russia, Kazakhstan with a single customs tariff;
- Equal business conditions (including the costs of the principal energy resources);
- Single rules of technical regulation, single sanitary, veterinary, and phytosanitary norms;
- Free movement of goods, services, capital, workforce.

- Exemption of process equipment, raw materials imported to implement investment projects from import customs duties.

On the eve of accession to the CES, Presidents of Belarus, Russia and Kazakhstan signed the Declaration of the Eurasian economic integration. The final goal of integration is the transition to the Eurasian Economic Union. The Union is planned to be formed by 2015.

Joining the Common Economic promises both pluses and minuses for Belarus.

PROS	CONS
<p><i>Among the benefits of Belarus' accession to the Single Economic Space are favorable terms of deliveries of energy resources. At the same time Belarus now enjoys now an increased investment flow, a larger market and access to cheaper raw materials. In his opinion, tougher competition encourages manufacturers to use modern effective technologies to make and promote products, encourages them to improve quality of products.</i></p>	<p><i>The tough competition entails considerable negative consequences for Belarusian manufacturers, particularly those that make consumer goods. First of all, they risk losing markets, with their financial status worsened. Unified business operation terms in the Single Economic Space restrict use of subsidies, invariably worsening economic and financial indicators of several industrial and agricultural enterprises.</i></p>

Russia's accession to the WTO: impact on Belarus

The Russian Federation became a member of the WTO on August, 22, 2012. and therefore binded itself to reduce tariffs that automatically mean a cut in import tariffs in Belarus, due to country's participation in the Customs Union with Russia

and Kazakhstan. As a result, different industries in Belarus have been affected, in particular, those that produce import competing products. At the date of Russia's WTO accession the only industry that may be substantially affected both in Belarus and in Russia is the production of motor vehicles for the transport of goods. The Russia's accession to the WTO



has an impact on pharmaceutical products, televisions, refrigerators, articles for the conveyance or packing of goods, and truck tractors and trucks. Of these products, the latter two have been affected most.

Belarusian exports of meat and milk products have also been affected by Russia's WTO accession.

However, by 2015-2017 Belarusian companies would be ready for Russia's full membership in the WTO. As for the harmonization of procedures to subsidize certain sectors of the economy with the WTO norms the process would be completed by 2015. This is agreed in the program to form a Common economic space.

Belarus filed an application to join the World Trade Organization back in 1993. Currently Belarus intensifies the process of accession to the WTO. Belarus holds its negotiations on joining the World Trade Organization in four major areas: bringing its national legislation in line with the WTO multilateral treaties, access to goods market, access to services market, state support of agriculture. Participation in the World Trade Organization is a process that is of great interest to Belarus.

5.3. Belarus–European Union relations. Long way from neighborhood to partnership

Belarus is geographically, historically and culturally an integral part of Europe, situated at the crossroads of major transportation and trade routes that link various regions of the European continent.

Following the recognition of Belarus as an independent state in December 1991 by the European Community, EC/

EU-Belarus relations initially experienced a steady progress.

Since Belarus gained its independence it has established diplomatic relations with practically all European states. 28 Belarusian diplomatic missions and consulates currently operate in the following 21 countries of Europe: Austria, Bulgaria, Belgium, the Czech Republic, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Serbia, Slovakia, Switzerland, Turkey and the United Kingdom.

The signature of the Partnership and Cooperation Agreement (PCA) in 1995 signaled a commitment to political, economic and trade cooperation. Some assistance was provided to Belarus within the framework of the TACIS programme and also through various aid programs and loans.

Improving trade relations with the European Union is a priority for Belarus and its businesses. Since 2007 this process has been greatly aided by the creation of the Belarus-EU Business Cooperation Council which was set up with express purpose of dismantling trade barriers and regulatory obstacles.

Cooperation between Belarus and the EU is taking place on bilateral and multilateral levels. Some promising relationships have been established already such as the European Commission's EastInvest program. Eastinvest was launched in 2011 with the goal of supporting small and medium sized enterprises in Eastern Europe. Belarus EU Business Council is a part of the consortium involved with this project along with the Ministry of Economy and Industry of Belarus.



EU assistance in Belarus - priority areas:

- Energy
- Environment
- Education
- Support to civil society and independent media
- Regional development

A few examples of ongoing bilateral programmes:

- Energy policy: policy advice on electricity sector reforms, energy efficiency norms and standards and promotion of renewable energy
- Environment: support to the implementation of Belarus's environmental policies, pilot projects in the field of solid waste management, activities to promote grassroots initiatives involving NGOs, schools, universities, businesses, local and regional authorities
- Nuclear Safety: transfer of Western European regulatory methodology and practices to the relevant authorities in Belarus
- Food Safety: support to quality infrastructure in food safety and raise awareness on food safety requirements
- Education: providing scholarships for young Belarusians to study at European Universities

Eastern Partnership:

The already existing bilateral cooperation with Belarus contributes to the objectives of the Eastern Partnership. Belarus participates in the multilateral dimension of the Eastern Partnership with regional projects mainly in the areas of: cross border cooperation, environment, and education. Examples:

- Eastern Partnership Territorial Cooperation Support

programme

- Eastern Partnership Integrated Border Management Flagship Surveillance Capacity project
- Eastern Partnership Integrated Border Management Flagship Customs project

Belarus-EU economic cooperation

Mutual interests with the European Union member states are based first of all on economic cooperation. Because even against the background of difficult political relations the EU has remained one of the main trade partners, an important source of credit resources and investment.

The European Union is the second largest trade partner of the Republic of Belarus, it accounts more than 28 percent of export and one fifth of import.

In the peak year of 2008 the turnover in trade between Belarus and the EU amounted to 23.0 billion \$, out of which 14.4 billion \$ were exports and 8.5 billion \$ – imports. The balance of trade was in favour of Belarus and amounted to 5.8 billion \$.

Trade between Belarus and the EU suffered a 30% decline in 2009-2010 as a consequence of the world economic crisis. In 2010 Belarus-EU turnover accounted for \$15.1 billion \$. Belarusian exports to the EU shrank to 7.6 billion \$, down nearly 50 per cent compared to 2008. The balance of trade remained in favour of Belarus, but declined to 57.0 million \$. However, the results of trade between Belarus and the EU in 2011 confidently exceeded the pre-crisis peak indicators of 2008. The turnover grew to 24.2 billion \$, up 61.1% compared to 2010. Belarusian exports increased to 15.7 billion \$, up 106.9% compared to equivalent last year's results. The trade

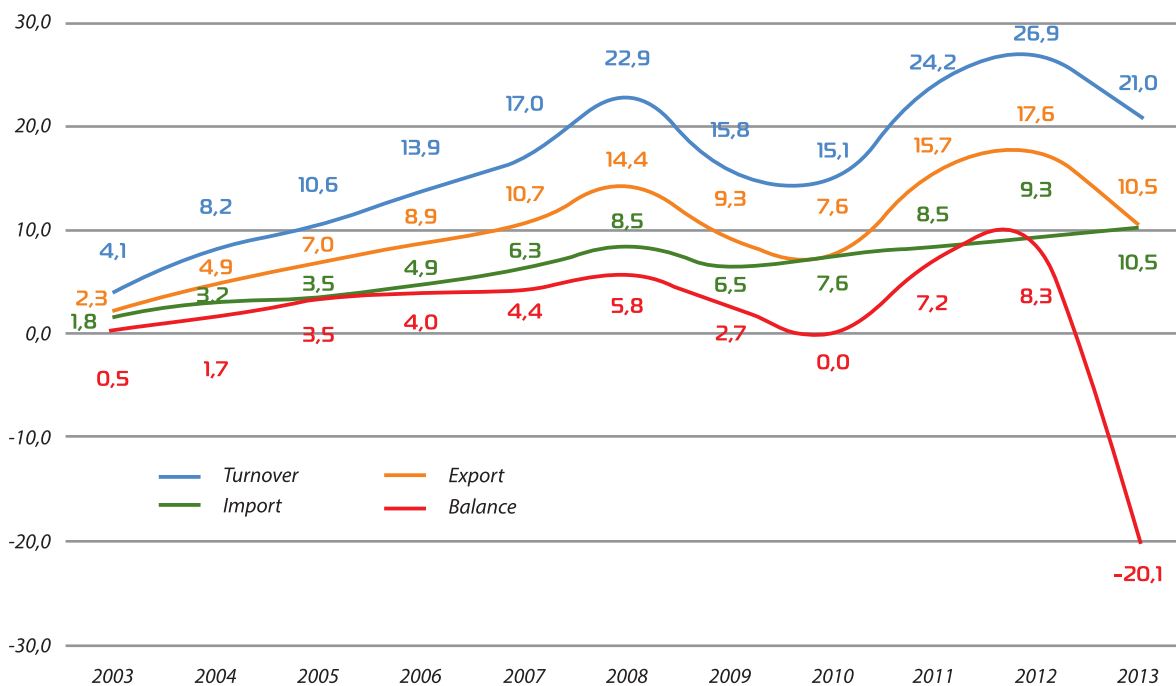


balance in favour of Belarus reached 7.2 billion \$.

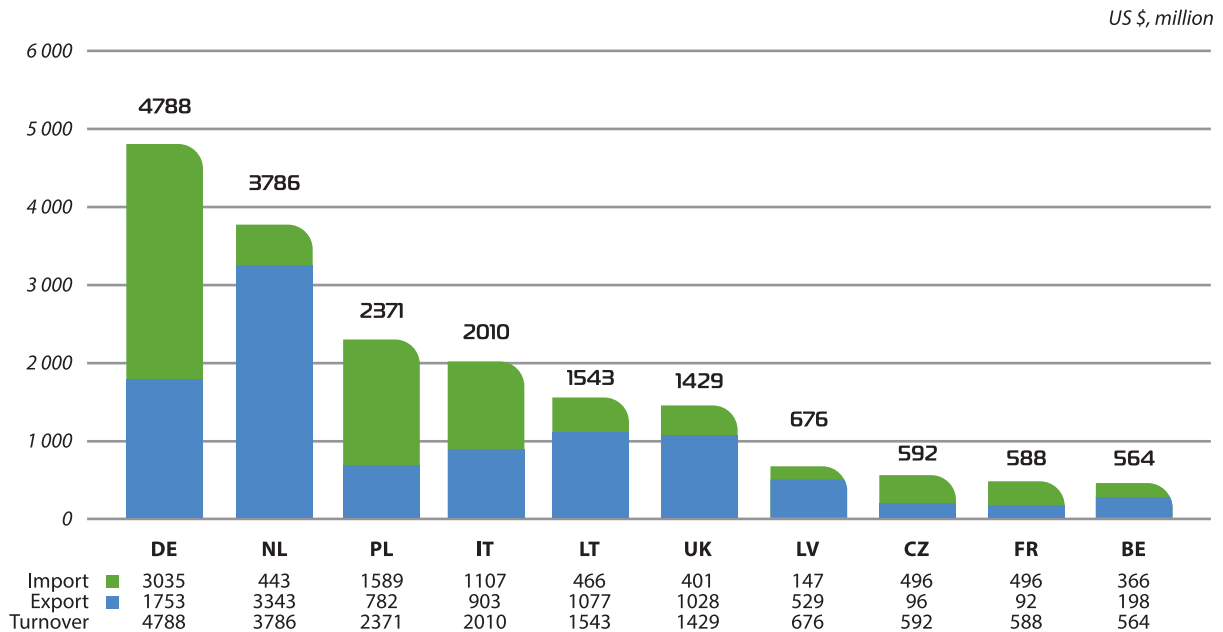
The positive dynamics of trade with the EU continued in 2012, setting new benchmarks in all trade indicators: turnover added 11.0% and reached 26.9 billion \$, and exports increased to 17.6 billion \$, up 12.0% compared to 2011. The trade balance in favour of Belarus stands at 8.3 billion \$.

In 2013 Belarus-EU trade experienced a slowdown: compared to 2012, turnover decreased by 21,8% and amounts to 21 billion US \$, export is down 40,2% at 10,49 billion US \$, import increased by 12,9% and amounts to 10,51 billion US \$.

Belarus-EU trade in goods, 2003-2013, US\$, billion



The top-10 trade partners of Belarus within the European Union in 2013 were Germany, the Netherlands, Poland, Italy, Lithuania, the United Kingdom, Latvia, the Czech Republic, France and Belgium:



European companies keep expanding their presence in Belarus and upgrading their external distribution and export-promotion networks. A number of European commercial and investment projects are under way Great

Britain, Germany, Italy, Lithuania, Poland, the Netherlands, France, the Czech Republic and Estonia.



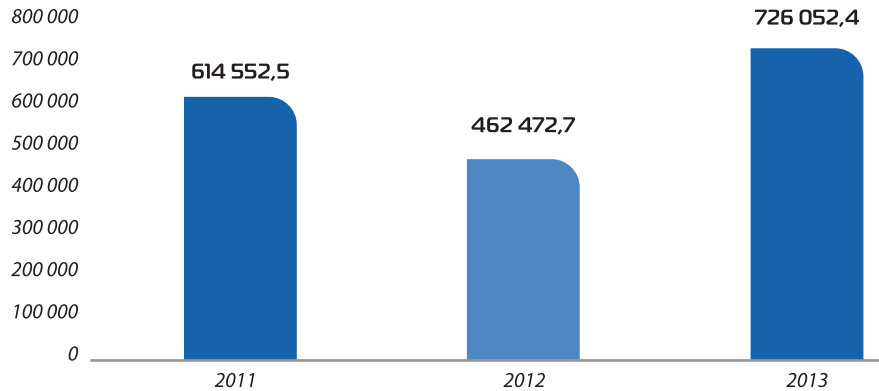
Comprehensive cooperation with the European Union contributes crucially to the country's increasingly diversified foreign trade, investment activity, modernization and growing competitiveness of its economy.

Ensuring compliance of Belarusian products with European quality standards is a vital element of the national export promotion policy in Europe. The national standards system increasingly harmonized with the EU norms and regulations is a key for better access of Belarusian goods to the European market.

One of priorities in Belarus' cooperation with the European Union is attracting European investments, first of all in research-intensive and high-tech sectors, agriculture, energy efficiency, alternative energy and transit areas.

The EU is the largest source of FDI in Belarus. Statistical data show an increase in European investments in Belarus against a backdrop of deteriorating Belarus-EU political relations. The FDI net inflow from many European countries was considerable in 2011-2013 despite the economic sanctions imposed by the EU.

FDI net inflows from the European Union countries, thsd USD



Altogether, European countries invested more than 8 bn dollars in Belarus in 2014. United Kingdom, Cyprus, Austria, the Netherlands and Italy are top investors in Belarusian economy.

Leading European multinational corporations set up their affiliates or joint ventures in Belarus, including MANN (automobile production), SB Telecom, Alcatel SEL (mobile GSM systems and switching systems), Frezenius (production of medical instruments), AXA Group, Generali Group (insurance and financial services), Uniliver, Danone Heineken Holding Carlsberg Henkel Group (beverages and dairy products), etc.

Belarus is geographically and mentally close to the investors from Western Europe. Conducting business is relatively easy for European companies because the cultural environment, business practices, and customer expectations are similar. Belarus' business etiquette is also similar to that of Europe.

Investment Forums organized by the Belarusian Government on a regular basis in recent years are an important way of advertising business opportunities in Belarus to European community and attracting foreign investments to our country. The first Forum took place in London in 2008, the second one – on 17 November 2010 in Frankfurt-am-Main during the European Financial Week. In addition, a number of regional business fora took place in 2011 in cooperation with Italy, Latvia, Lithuania, Poland, the Netherlands and Slovenia.

5.4. Belarus-China: towards new level of cooperation

The relationship with China has been regarded as one of the key foreign policy priorities of Belarus. The trade and economic cooperation between Belarus and China has been vibrant in recent years. China ranks fifth among Belarusian partners and its main trading partner in Asia. In 2013 China took the tenth place in terms of exports and the third place in terms of imports to Belarus.

Since 2006, trade turnover between Belarus and China has tripled. During 2013 the volume of trade of Belarus and China (including Hong Kong, Macao and Taiwan) increased by 17% to 3,3 billion dollars as compared to 2012, Belarusian exports to China reached 400 million dollars (up 6% compared to 2012). Belarus' major exports were potash fertilizers and caprolactam.



Moscow



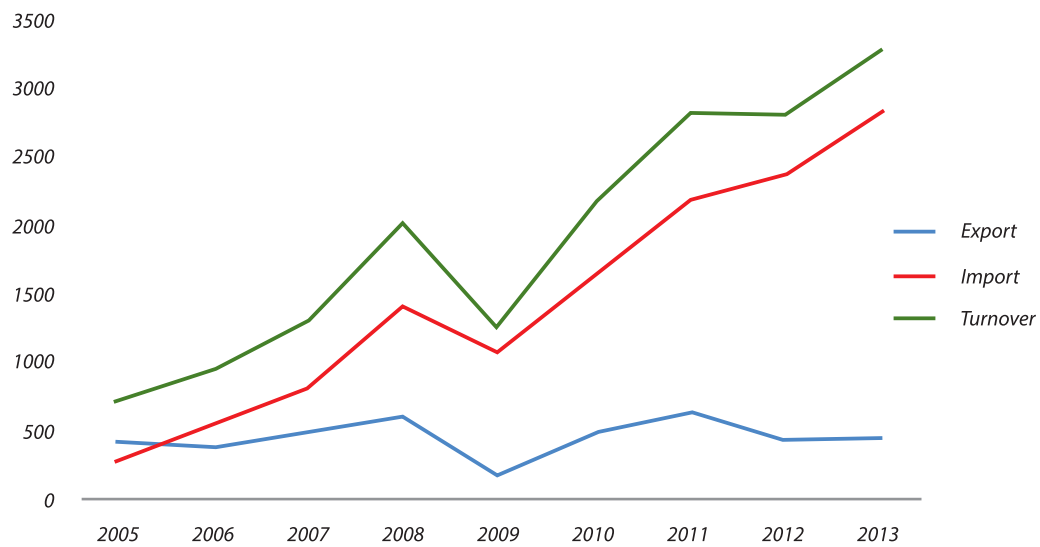
1,5 h
7 flights daily



Minsk



Belarus-China trade in goods, 2003-2015, mln USD



There is a huge potential in developing all-round relations, including the investment sector. China possesses wide opportunities in Belarus and is ready to invest in promising projects. Both strong state companies and private business show interest in this cooperation.

Chinese investment in Belarus has been growing steadily since 1992. In 2013 Belarus has attracted \$ 31,3 million foreign direct investment from China.

Belarus is involved in the implementation of 20 major projects with the support of China. The total investment for projects are at various stage of implementation, estimated at \$ 16 billion.

Recently the two countries have adopted a road map for the next five years (2014-2018) to move towards a new level of economic relations: from trade and credit cooperation towards investment cooperation. Over 150 projects may become part of the program designed to guide the development of Belarus-China strategic partnership till 2020. A number of Chinese companies that have long been operating in the market of Belarus have already submitted similar initiatives. China National Machinery Industry Corporation Sinomach, CITIC Construction announced their readiness to invest in the Belarusian economy.

Industrial Park "Great Stone" – a place to nurture dreams

Industrial park "Great stone" is a territorial entity of approximately 91,5 sq. km with a special legal status for the provision of comfortable conditions for doing business. It is a special economic zone in Belarus, established within the framework of the China-Belarus intergovernmental

cooperation and the relevant signed intergovernmental agreements.

Industrial park in Belarus is a major cooperative project for deepening economic and trade cooperation and establishing a strategic partnership between China and Belarus. The China-Belarus Industrial Park is the largest and the most highly developed overseas industrial park project that China has undertaken. Since the cooperation agreement was officially signed by and between China and Belarus, the project has attracted great attention from both governments and is a good example of cooperation between the two countries.

Industrial park is situated in Smolevichy district, Minsk region, in the distance of 25 km from Minsk, the capital of the country. Advantageous geographic position is stipulated by the close vicinity to Minsk National Airport and international highway M1 which extends to Moscow on the north (the distance of 700 km), and to Berlin on the south (the distance of 1000 km) as well as it has access to Klaipeda seaport in the Baltic Sea (the distance of 500 km).

According to the master plan, approved by the Government of the Republic of Belarus in June 2013, production and living areas, offices and shopping malls, financial and research centers are to be located at the territory of the Park.

Any company regardless of country of capital origin can act as a resident of the industrial park.

Realizing intense competition for an investor in the world market, the state has created a favorable investment climate for industrial park residents, as guaranteed by the national law, special international agreements and obligations; has



provided unprecedented benefits and preferences, has formed a separate and independent state administration body which carries out administrative end-to-end servicing on the principle of “one-stop shop”.

According to the special Decree of the President of the Republic of Belarus as of June 5, 2012 which was updated in 2014 to take into account the legal regime practices in the Park, residents are granted tax preferences.

The activities of the Industrial park will focus on the development of mechanical engineering, fine chemical, biomedical, manufacturing of household appliances and electronics. The main markets for manufactured goods in the park will be CIS countries and Europe.

In addition, the industrial park will offer ready engineering and transport infrastructure provided by the management company, good geographical location, optimizing time and transportation costs, disciplined and qualified staff of Belarusian labor market.

5.5. International economic organizations

Integration of Belarus into the world economy directly depends on the interaction with various international organizations, particularly with the International Monetary Fund (IMF), the World Bank Group and the European Bank for Reconstruction and Development (EBRD).

In recent years the Belarusian state managed to receive the revision of its traditional approaches and significant extension of ties by the Bretton Woods institutions.

The implementation of the IMF standby program for the Republic of Belarus with a total amount of about USD 3,5

billion has finished. The International Bank for Reconstruction and Development provided a loan for development worth USD 200 million. New joint projects, including projects on increasing the energy efficiency, the development of infrastructure objects in the social sphere, increasing the quality of water supply and solid waste management, the development of the road infrastructure, the rehabilitation of areas affected by the Chernobyl disaster and a number of other aspects are in the development stage.

Cooperation with two other institutions which enter the World Bank Group — the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) — is developing.

The total volume of investments of the IFC in the economy of the country, including projects in banking, manufacturing, agro-industrial spheres, as well as in the service sector, amounted to USD 316 million. A number of programs of counseling assistance of IFC to the Republic of Belarus on the development of the private sector, which is aimed at the improvement of business regulation and the promotion of attracting foreign investments, as well as the improvement of the food products security system, are being successfully implemented.

In 2011, framework agreements on the use of local currency and legal protection of guaranteed foreign investments have been signed with MIGA, thus, creating the most favorable conditions for attracting foreign investments to the Republic of Belarus by insuring foreign investments on the territory of our country from non-commercial risks.

Over the membership period in EBRD Belarus received loans for the development of telecommunications, the modernization of the Orsha TPP, the reconstruction of the



M1/E30 road in the segment Brest-Minsk-Russian border, the development of small and medium business loan schemes, mortgage lending, export guarantees.

Cooperation with economic organizations of the UN system – the UN Economic Commission for Europe (UNECE), the UN Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO) and others — is developing actively.

Considerable efforts of the UNECE are aimed at the unification and standardization of the European legislation in the sphere of transport, trade, energy, ecology and a number of other spheres. Over the period of membership in the UNECE (Belarus has been a member since the creation of the organization in 1947), the country acceded to dozens of international treaties, conventions, protocols on a wide range of economic relations.

Cooperation with UNCTAD is developing rather dynamically. It is focused on solving the classical economic problems: the development of trade and attraction of investments, the improvement of competitive environment and reforming of the tax legislation.

5.6. Privatization in Belarus – perspectives and obstacles

The process of privatization of the state property in Belarus has started in mid-1990s. In 2011, business entities with less than 50 percent of state share accounted for 47 percent of the country's GDP. Today private of foreign ownership have 75 percent of retail, catering and personal service companies, about 50 percent of building, communications, forestry and

agriculture, and over 30 percent of the country's industry.

Legislative basis and comprehensive legal regulation of public property privatization issues is formed with the participation of the experts of the World Bank and International Monetary Fund. Since 2011 a new Law on Privatization has been in effect in the republic which established new principles of privatization such as priority of refundable ways of privatization, observance of law at all stages, and publicity.

Belarus authorities have not considered privatization as a priority part of the country's economy for a long time but in the 2011 the new laws were enacted and launched in order to boost foreign investments to the Belarusian economy. Belarus has adopted the plan for 2011–2013 for privatization of state-owned property. The plan consisted of over 240 state-owned and state-controlled enterprises in various industries. The companies were mostly middle size, and belonged to such diverse industries as production of furniture, industrial equipment, and construction materials, transportation services, clothing and footwear, food and drink etc.

The principles of privatization has been revised in 2012. There was decision to refuse from the list of enterprises subject to privatization and to announce that any of state-owned enterprises can be privatized.

Additionally, in 2014 State Property Committee announces sale of shares of 87 enterprises . The authority is going to sell the shares of 23 enterprises via auctions. Tenders will be held to sell shares of 62 joint-stock companies. Two more enterprises are going to be sold as one group of assets.



Auctions will be held to sell the state share in the charter fund of Glass Factory Yelizovo, Vitebsk Instrument-Making Plant, Brest Radio Technical Plant, the Vitebsk-based factory Evistor and a number of other enterprises run by the Ministry of Industry, the Department of Energy, the Ministry of Transport and Communications, the Ministry of Agriculture and Food, The Ministry of Communication and Information Technology.

Work is in progress to hold tenders to sell shares of OJSC Gomel Building Structures Combine, BATE - the Managing Company of the Holding Company Autocomponents, Managing Company of the Holding Company Horizont, Belarusian Sea Steamship Company, Air Company Transaviaexport, Mozyr Oil Refinery, Giprosvjaz and others. Belarus opted for targeted attraction strategic investors to the state-own-enterprises rather than an accelerated sell out of state-owned assets of big enterprises. Though several recent major billion-dollar privatization deals were among the largest merger and acquisition deals in Europe (for example, selling state shares in "Beltransgaz" and in Joint Venture "Mobile Digital Communications").

The government plans is to raise up to \$4.5 billion by selling its stakes in companies to investors in 2014. The government wants to invite investors in small companies where it holds less than 25 percent and bigger companies where it holds less than 50 percent as well as in struggling companies.

5.7. Overview of M&A Transaction in Belarus

Recently, M&A activity in the Republic of Belarus has been increasing. Despite the fact that in comparison with other member-states of the Commonwealth of Independent States (CIS), the scope of M&A transaction in the Republic of Belarus is much lower, growth of M&A market in Belarus was more than 10 times as compared with 2009.

Telecommunication, banking and finance, retail and wholesale sectors are the most attractive sectors for investors.



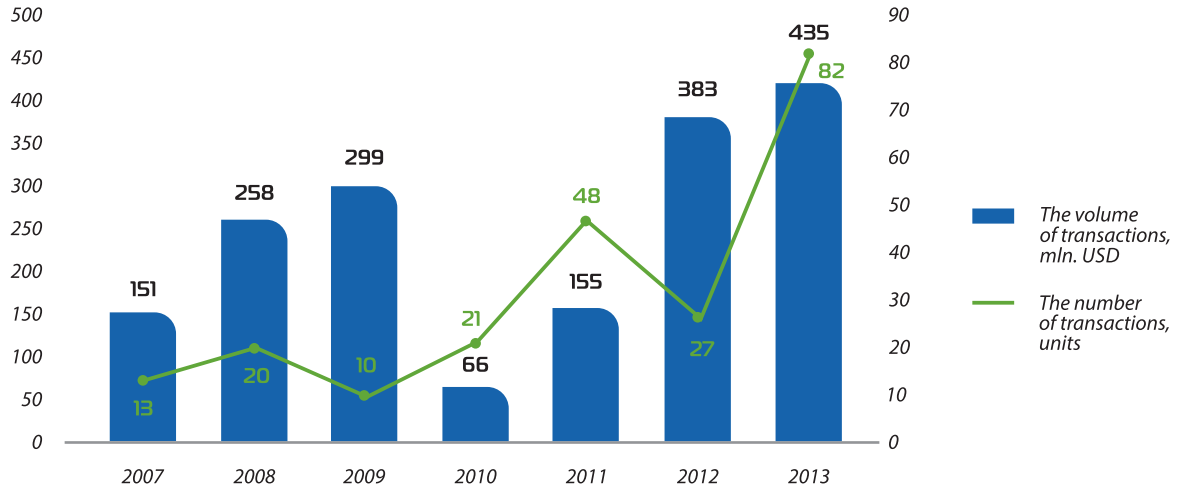
Rome



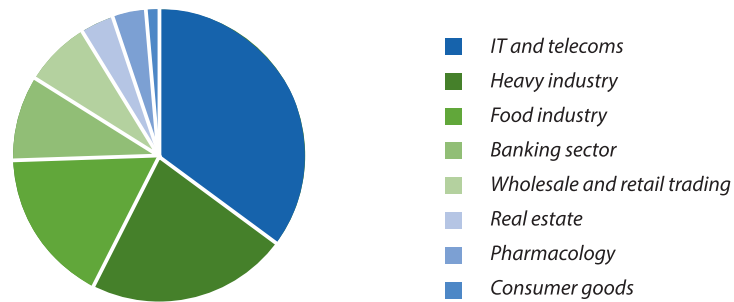
2,5h
2 flights daily



The volume of M&A transactions in Belarus



Sectoral analysis of M&A transactions in Belarus, by volume



M&A in Belarus (history)

2007-2008 (high activity):

The most attractive industries:

- Financial Sector
- Brewery
- Privatization

2009 (low activity)

The most attractive industries:

- Financial Sector (the bulk of buyout by Sberbank of BPS-bank)

2010 (renewal of interest in Belarus, new investors, small-scale transactions):

The most attractive industries:

- Pharmaceuticals
- Banking Sector
- Tourism

2011 (fading of investors' interest)

The most attractive industries:

- Privatization (Beltransgaz)

M&A – Belarus 2013

2013 can be considered one of the most successful for Belarusian M&A market over the last 5 years. According to the experts, the total scope of M&A transactions in Belarus has increased by 2,8 times in 2013 in comparison with 2011 and has reached 435 million U.S. dollars. The total volume of M&A transactions in 2013 amounted to 82 and it is 3 times more than in 2012.

The activity of local business has become a key driver for market growth. 92% of total market was made with the

involvement of Belarusian equity.

It is noteworthy that M&A transactions are mostly conducted in telecommunications and banking sectors. The most significant M&A transactions in 2013-2014 on Belarusian market are the following:

In 2013, VTB Group bought a 25.95% stake in VTB Bank (Belarus). In 2014 VTB Group raised its stake in the authorized capital of VTB Bank Belarus up to 100%, having acquired 2.63% of shares owned by minority shareholders to the tune of \$37 million. Now the authorized capital of the Belarusian subsidiary totals \$45.6 million. The move will help the bank strengthen its position in the local market both in retail and corporate investment sectors.

The resident of Germany H.M.Tankha bought out 94% of the shares of CJSC Onerbank from Iranian owners in February 2013. The total amount of the transactions was EUR 5.1 million.

In March the group PPF became the owner of Foreign Joint CJSC PPF Insurance. 100 % of company's shares were sold at EUR 2.4 million. The seller was another foreign investor –Generali PPF Holding (GPH).

Swiss company EURO SET HOLDING SA bought out 99.995 % of the shares of CJSC Eurobank. The amount of the transaction was EUR 5 million in May 2013.

Polish company FAM acquired 55 % of the shares of CJSC Belmorflot at USD 55 thousand in May 2013.

In 2013, M&A activity has got many times higher as compared to any period since 2009. Moreover, it was the accession of

Stockholm



2 h
4 flights daily



Minsk



Belarus to Common Economic Space that several major projects with good chances to be implemented were announced.

Despite the fact that M&A process has intensified, transnational corporations do not tend to take active development of the Belarusian market. M&A activity in Belarus still encounters a small amount of foreign investors.

It is hoped that the repeal of the moratorium on the turnover of shares of companies established in the process of preferential privatization and improvement of the conditions of privatization shall have a positive impact on the investment attractiveness of the country and appearance of new strategic investors in Belarus. The development of the Belarusian private sector is also expected to attract large and medium-sized foreign investors and investment funds in the Belarusian market.

M&A transactions, 2010-2013 (randomly)

2007–20011	Beltransgas	Gazprom	Russia	100 %	5 000
2010	Velcom	Telecom Austria	Austria	30 %	459
2010	Minsk Watch Plant	Frank Muller International	Switzerland	52 %	12
2010	Alivaria	Carlsberg	Denmark	17 %	11,7
2011	Atlant Telekom	EBRD	DFI	35 %	6
2011	Bobruisk Machine Building Plant	Hydomashservice	Russia	57 %	9,5
2011	Prostore	Triple	Belarus	49 %	5
2012	Solo	Atlant Telekom	Belarus	100 %	Not disclosed
2012	Amkodor	Interservice	Belarus	53 %	76
2012	Wester	RTL Holdings	Belarus	100 %	Not disclosed
2012	Yubileiny-92	HC	Belarus	100 %	5
2012	Belrosbank	Alfa-Bank	Russia	100 %	31
2012	International Reserve Bank	Eurotorg	Belarus	92 %	4,7
2012–2013	Smolevichi Broiler Poultry Factory	Servolux	Belarus	100 %	85

5.8. The perspectives of Belarusian companies' IPOs

The issue of Belarusian enterprises' IPO on foreign stock exchanges acquires more and more urgency nowadays, as in the unstable macroeconomic environment and soaring rivalry with foreign manufactures efficient and competitive business units account crucially to maintain the economy and act as a main driving force of its evolvement.

The Belarusian enterprises are contemplating the idea of becoming global players on the international stock market.

A successful example of Belarusian IPO subsists – on 8 February 2012 “Egam Systems” became the first Belarusian company listed on NYSE, with a starting share price of \$12. Now the shares are traded at about \$35 a share which is equal to more than 1,6 billion US dollars market capitalization.

The opportunity of Belarusian companies' IPOs is considered regarding foreign stock exchanges, for the domestic one (Belarusian Currency and Stock Exchange – BCSE) is inchoate and is not apt to ensure profound capitalization. The experience of two major Belarusian companies that went public on (BSCE) indicates the domestic stock market being strongly surpassed by foreign ones: in Summer 2011 shares of “Borisovkiy Zavod Medicinskih Preparatov” (Borisov Medication Plant) were almost not traded (whereas the IPO was oriented on foreign investors), in May–June 2012 “Minskiy Zavod Igristyh Vin” (Minsk Plant of Sparkling Wine) was able to sell 68.63% of overall share volume (attracting about 3 million US dollars), whilst on foreign stock markets demand significantly surpasses supply.

IPO matters have gained high importance recently. Many documents now stipulate the components to improve the country's financial market, the legislation and corporate management.

Entry of several Belarusian enterprises into international stock markets is planned for 2014-2015. The list of enterprises was announced at the end of 2012. The list includes BELAZ, Gomselmash, MTW, BMZ, Horizont, and BATE.



Tel Aviv



----- 2,5h -----
1 flight daily



Chapter III Legal Environment for Foreign Investments

6. Legal regulation of investment activities

The legislation of the Republic of Belarus takes into account the current needs of the implementation of investment projects and provides the necessary government support and incentives to investors. Today the country is one of the leaders in legislation improvement which is confirmed by the World Bank's Doing Business 2014 research. As a result, in the conditions for business Belarus occupied the 63th place out of 189 countries.

Belarus has created an effective legal framework for the investment business underpinned by international treaties and the national legislation.

6.1. International treaties

The Republic of Belarus is a party to the Investor Rights Convention (28 March 1997), Investment Cooperation Agreement (24 December 1993), New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958). In 1992 Belarus joined the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (18 March 1965) and the Convention Establishing the Multilateral Investment Guarantee Agency (11 October 1985, Seoul).

Guarantees to foreign investors are also provided in the framework of bilateral agreements between Belarus and other countries. Currently, there are 62 agreements on avoidance of double taxation and 58 treaties on promotion and protection of investments, including Austria, Great

Britain, Germany, Italy, China, Latvia, Lithuania, Poland, Turkey, Czech Republic, Sweden, Switzerland, Finland, South Korea, etc.

6.2. National legislation

To improve the investment climate, in January 2014, the Law "On Investment" entered into force. Its norms provide additional assurances of disposal of profits made from investment and protection against interference in an investor's private affairs.

The feature of the Law "On Investment" is the norm, according to which the investor is not limited with respect to ways of investing and types of funding sources. There are no restrictions in terms of investments and organizational-legal forms of creating investor organizations.

6.3. Protection and Guarantees

The State gives an investor the following guarantees:

- the right to private property and other proprietary and non-proprietary rights;
- the equality of rights and the equal nondiscriminatory protection of the rights and legitimate interests of an investor;
- the stability of the rights to perform investment activities and terminate them;
- the right to an independent choice of action and the performance of actions related to the ownership, use and disposal of the objects and results of investment activity, including independent disposal of the revenues and free transfer of profits abroad;
- compensation of the market value of the invested property and recovery of other loss suffered by an



investor as a result of nationalization or requisition allowed in exceptional cases only;

- recovery of the loss and damage inflicted upon to an investor as a result of the actions of government officials.

Insurance of non-commercial investment risks is available via Multilateral Investment Guarantee Agency. The treaty on legal protection of guaranteed foreign investment between the Government of the Republic of Belarus and Multilateral Investment Guarantee Agency has been ratified on May 04, 2012.

6.4. Methods for Settlement of Disputes

To ensure execution of international treaties a mediation and conciliation procedure has been formalized by the Resolution of the Council of Ministers of the Republic of Belarus No. 146 passed on February 14, 2012. An investor may submit a written proposal on a dispute settlement and within three months the proposal should be considered and measures to settle the dispute should be taken. The disputes not resolved in an out-of-court procedure through negotiations may be resolved:

- in the arbitration court established to resolve each specific dispute in accordance with the Arbitration Rules of the United Nations Commission on the Law of International Trade (UNCITRAL);
- in the International Centre for Settlement of Investment Disputes (ICSID) in case this foreign investor is the citizen or the legal entity of the state – the party to the Convention on the settlement of investment disputes between the states and natural persons or legal entities of other states dd. March 18, 1965.

In case the international treaty of the Republic of Belarus

and (or) the agreement concluded between the investor and the Republic of Belarus establishes, the provisions of these documents shall apply.

6.5. Incentives and preferences

In Belarus there are a number of preferential regimes which could be of use for foreign companies, including from the point of view of their taxation planning and optimization.

6.5.1. High-Tech Park (HTP)

High-Tech is the name of a special tax and legal regime, which aims to create favorable conditions for development software, information and communication technologies in the Republic of Belarus and to enhance national competitiveness.

Unlike many parks in Europe or Asia, Belarus HTP is a virtual hi-tech park. It means that the legal conditions of Belarus Hi-Tech Park are valid within the whole territory of Belarus. This principle enables the resident companies to use educational, scientific, professional and infrastructural potential of the whole country.

The resident companies of Belarus Hi-Tech Park are exempted from:

- profit tax and VAT on goods (works, services) produced in the territory of the Republic of Belarus;
- customs duties and VAT on technical equipment imported for realization of investment projects;
- obligation of compulsory sales of foreign currency;
- land tax on land plots within the HTP throughout the period of construction but not exceeding three years;
- real estate tax (except for leased real estate).

Vilnius



0,5h

2 flights daily



Minsk



Furthermore, a reduced tax rate of personal income (only 9%) is applied to employees in the HTP. Moreover, Income received by a foreign entity from a High Technology Park resident is subject to withholding tax at a rate not exceeding 5%.

6.5.2. Industrial park

The Industrial park is a territorial entity with the area of approximately 80 sq. km with a special legal status for the provision of comfortable conditions for business. Any company regardless of country of capital origin can act as a resident of the industrial park.

The industrial park in Belarus offers to investors:

- Preferential taxation: exemption from all corporate taxes for 10 years from the date of registration as a Park resident and reduction of the effective tax rate by 50% for the next 10 years of activity in the Park;
- Exemption from tax on dividend income accrued for the founders for 5 years from the year of gross income origin of a Park resident;
- Exemption from customs duties and VAT on goods imported to Belarus for investment projects implementation;
- In full VAT deduction paid at acquisition of goods (works, services, property rights) used for design, building and equipping of buildings and facilities in the Park;
- Regime of a free customs zone that gives the right to import goods (raw stock, materials) without payment of customs duties (customs, VAT, excise duties) subject to further processing and export outside the countries of the Customs Union;
- Benefits for employees of companies operating in the

industrial park: rate of personal income tax is fixed and comprises only 9%;

- Exemption from compulsory insurance contributions from their wages fund;
- Special procedure in respect of attracted foreign labour power.

When new taxes and fees are established on the territory of the Republic, obligation to pay such taxes and fees for Park residents does not arise.

6.5.3. Free economic zones (FEZ)

The Republic of Belarus has created six free economic zones, providing residents with significant benefits for the organization of its own production. As their residents on March 1, 2014 registered 494 organization.

Businesses wanting to register in a FEZ must make a minimum investment of \$1 million, but receive the following benefits:

- Tax free profits on all goods and services for five years, then a 50% discount;
- 50% discount on VAT on import substitution goods manufactured within an FEZ;
- No taxes on real estate owned or leased in the FEZ;
- Exempt from payments to National Agriculture Support Fund;
- No tax on purchasing vehicles;
- No customs duty on raw materials and equipment imported from outside Belarus;
- Guarantee that legislation governing firms will not change for seven years.

Warsaw



1 h
3 flights daily



Minsk



6.5.4. Small and medium-sized towns

In total 184 urban settlements in Belarus are categorized as small and medium-sized towns. Commercial organizations which are registered since July 1, 2012 and located in medium and small towns, rural areas and carrying out activities on the production of goods (works, services) on their territory are exempted within seven calendar years since the date of state registration from:

- profit tax on sale of goods (works, services) of own production;
- state fee payments for granting a special permit, its correction and (or) extension;
- payment of other taxes and duties (excluding value added tax, excise duties, stamp and offshore duties, state fees, patent fees, customs duties and charges, land tax, environmental tax and a number of other taxes);
- mandatory sale of foreign currency received from the sale of goods (works, services) of own production, including the lease of property, received from transactions with non-resident legal entities and non-resident natural persons.

6.5.5. Investment agreement

Investment activity can be carried out by signing an investment agreement with the Republic of Belarus. Currently 1615 investment agreements are registered in Belarus.

Conclusion of investment agreement gives an investor the opportunity to receive additional legal guarantees and preferential conditions for the realization of an investment project including:

- construction of the objects provided by the investment project, in parallel with the development, expert examination and approval of the subsequent stages of the construction;
- simplification of obtaining land, which includes leasing of a land plot without holding of an auction;
- exemption from payment of import duties and VAT on importation of equipment and spare parts for the realization of the investment project;
- exemption from the compensation for losses of agricultural and forestry production, caused by the seizure of the land plot;
- exemption from the payment of the state duty for the issuance of permits to attract the foreign labour force into the Republic of Belarus;
- exemption from the targets fees to the local budgets.

Moreover Belarusian legislation provides additional individual benefits and preferences, taking into account the specifics of the project.

6.6. Basic republican taxes

Legal entities registered on the territory of Belarus, at the general taxation system pay the following main taxes and duties:

Personal income tax

- Income tax on individuals is levied at 12% rate on total income derived from sources both in and outside the Republic of Belarus (for Belarusian residents) and on total income derived from sources in the Republic of Belarus (for non-residents).

Abu-Dhabi



5,5h
1 flight daily



Minsk



Profit tax

- The profit tax is paid at 18% rate by companies of the Republic of Belarus, foreign legal entities carrying out activity in the Republic of Belarus through permanent establishment, partnerships and economic groups.
- A 9% rate applies to profit from the sale of shares.

Value added tax

- 20% - general tax rate;
- 10% - sale of agricultural goods produced in Belarus; import and/or sale of food products and goods for children;
- 0% - exported goods.

Real estate tax

The tax is levied on buildings and constructions:

- 1% for companies;
- 0,1% for individuals, individual entrepreneurs and cooperative societies;
- 2% for companies having unfinished over-norm projects.

Land tax

The objects of the tax are land parcels which are owned, temporarily/permanently used by companies and owned, lifetime used with the right of inheritance or temporarily occupied by individuals. Tax rate depends on the cadastral valuation of a land parcel. Tax base is equivalent to the cadastral value of a land parcel unless otherwise provided by tax legislation.

Ecological tax

- The tax rate depends on the type of pollution

Social security and insurance contributions:

- 1% of gross salary - for employee
- 34-35% of gross salary – for employers

Income received from sources in the Republic of Belarus by foreign companies which do not carry out activity in the Republic of Belarus through permanent establishment is taxed at the following rates:

- 6% - international transportation;
- 10% - interest income form debt-claims;
- 12% - dividends and other similar rights;
- 15% - royalty and other income (limiting list including all kinds of transactions with immovable property);
- 5% on dividends, interests, royalty and licenses if the source of income is a Hi-Tech Park resident.

Simplified Taxation System

Together with general taxation system there are specific regimes of taxation, which provide reduced tax rates. Depending on set requirements on gross revenues and number of personnel, the main tax rates under the simplified taxation system are 3% and 5%.

6.7. Business entities

6.7.1. Forms of business entities

There are 7172 enterprises with foreign capital, registered in Belarus on January 2014. Most businesses in Belarus are legal entities, organized in forms of private unitary enterprise, limited-liability company, closed joint-stock company, and open joint-stock company.



Form of company	Number of participants (natural and legal persons)	Minimal capital requirements
<p>Open joint-stock Company (OJSC) OJSC is a company with stock of shares of equal nominal value. Shares could be sold freely to any person without the consent of other shareholders. Shareholders are liable for the obligations of the OJSC within the value of their shares. These companies are allowed to offer an unlimited amount of shares.</p>	From 2 to unlimited	400 basic units (approximately 5 985 USD)
<p>Closed joint-stock Company (CJSC) CJSC is the most common type of Joint Stock Company in Belarus. The shares could be sold with the consent of the rest shareholders or under its articles shares may be sold to a limited range of persons.</p>	From 2 to 50	100 basic units (approximately 1 496 USD)
<p>Limited liability company (LLC) LLC is the most flexible type of company structure. It is a profit organization, the authorized capital of which is divided into shares. Participants LLC will bear the risk of loss within the value of their contributions.</p>	From 2 to 50	There are no minimum requirements
<p>Private unitary company (PUC) PUC is a popular choice among foreign trading companies. It is a commercial organization with one founder (private or a legal person), who is the owner of the property of PUC.</p>	Only 1 owner of assets	There are no minimum requirements

Ashgabat



4 h
2 flights daily



Minsk



6.7.2. Establishing a company

The companies are registered in Belarus on the day of application on the “one-stop shop” basis.

The procedure of business creation in the Republic of Belarus includes the following steps:

Step 1: Choose the organizational-legal form of business entity;

Step 2: Check the availability and register the name of the company;

Step 3: Find an office and determine the place of business;

Step 4: Form the management body;

Step 5: Prepare company bylaws;

Step 6: Submit the documents for state registration.

Additional step for CJSC/PJSC;

Step 7. Open the bank account;

Step 8. Conclude the Agreement to custody and consulting services. Register the shares in the state authority.

6.8. Representative office

The representative offices of any organization may be opened on the territory of the Republic of Belarus with a view to protect and represent their interests, and carrying out their activities on behalf and in the name of the organization represented by such office. The representative office is not a legal entity but it is obliged to register as a tax payer at taxing authorities or other bodies, and open bank accounts. In order to perform licensable activities one is to be granted licence.

The representative office is deemed to be created on the territory of the Republic of Belarus from the date of obtaining permission to its opening. Permissions to open

representative offices shall be issued by the Ministry of Foreign Affairs for a term of 3 year with availability of extension for the same term.

The state fee for issuing the authorisation on the setting up or prolongation of activities of a representation office shall be paid before the receipt of the authorisation. According to Belarus legislation, there are the following fees:

- for opening and prolongation of the term of activity of the representative offices of foreign organizations in the territory of the Republic of Belarus – 65 basic units (approx 973 US dollars) for every year of prolongation;
- for opening and prolongation of the term of activity of the representative offices of noncommercial foreign organizations, also the representative offices of foreign organizations that carry out exclusively charitable activity in the territory of the Republic of Belarus – 20 basic units (approx 299 US dollars) for every year of prolongation.

Without a representation office in Belarus, foreign organisations may not operate in Belarus.

6.9. Privatization. Legal framework

Privatization is understood to be the sale of targets of privatization to acquiring entities on the terms and according to the procedures stipulated by the Law on Privatization.

The existing law of the Republic of Belarus enshrines equal rights for foreign and national investors in participating in privatization of the state-owned property.

An individual approach is applied to privatization, any offer by a strategic investor related to privatization of any



Belarusian enterprise may be considered. The information on state assets is open and readily accessible.

The investors are welcome to select privatization targets themselves and send brief letters of interest to the State Property Committee, the Council of Ministers, or a branch ministry.

The decisions on privatization of state-owned property are made by the President of the Republic of Belarus, those on privatization of communal property - by local regulatory bodies.

Privatization Objects:

- Enterprises as asset complexes of state-owned unitary enterprises;
- Equity stocks (shares in authorized capitals) of economic operators.

Ways of privatization, denationalization:

- Selling privatization objects at auctions;
- Selling privatization objects on the basis of competitive bidding (with investment and/or social conditions);
- Selling equity stock of an economic operator possessed by the Government resulting from fiduciary management thereof;
- Contributing property in authorized capitals of economic operators, including on the stage of incorporating a joint stock company when restructuring a state-owned enterprise;
- Alienating real estate facilities possessed by the Government, including on a non-repayable basis when implementing an investment project.

A seller of the stocks is the State Property Committee of the

Republic of Belarus. A tender or an auction is open to all legal entities and individuals, including foreign ones, with the exception of the Belarusian legal persons, whose share of state ownership in the authorized capital is 50 percent or more.

A major way of privatization are tenders (auctions, competitive biddings). The existing law provides an opportunity to acquire state-owned property by a single participant of an auction or tender in case when an auction or tender is deemed to be failed by virtue of the fact that an application for participation therein has been filed by a single participant or only one participant has been participated therein. In such case a subject of an auction or tender shall be sold to such participant at an initial price increased by 5 % (provided it is acceptable for such participant).



Baku



3,5h
2 flights a week



Minsk



6.10. The M&A. Legal framework

It should be noted that there are no special legislative acts regulating M&A transactions in Belarus. M&A is instead regulated by:

- general provisions of the Civil Code, the Law on Investments, the Law on Economic Companies, and the Labor Code;
- securities regulations (the Law on Securities and Stock Exchange, Presidential Edict on Certain Issues of Equity Market Regulations, and resolutions of the Ministry of Finance);
- special regulations applicable to certain sectors, such as banking and insurance (the Banking Code, Presidential Edict on Insurance Activities, decisions of the National Bank of the Republic of Belarus and resolutions of the Ministry of Finance);
- privatization regulations (the Law on Privatization of State-owned Property and Reorganization of State Unitary Enterprises in Open Joint-stock Companies, Presidential Edict on Denationalization and Privatization of State-owned Property in the Republic of Belarus, decisions of the Council of Ministers of the Republic of Belarus, and subordinate legislation);
- special regulations applicable to mergers and acquisitions control (the Law on Counteraction to Monopolistic Activity and Competition Development and subordinate legislation).

Types of transactions

The structure of M&A transactions depends on the legal form of the target and bidder. Different paths will be followed in respect of open joint-stock companies (public companies), closed joint-stock companies (private companies), unitary enterprises or state-owned companies. M&A transactions

can be accomplished in the form of:

- reorganization;
- acquisition of shares;
- acquisition of assets.

Reorganization

Under the legislation of the Republic of Belarus, reorganization may be effected through merger, accession, separation or spin-off. It is worth mentioning that as opposed to western takeover regulations, in case of reorganization of a legal entity through a merger at least one legal entity involved in the merger ceases to exist under the Belarusian legislation. Mergers may take the following forms:

- merger through consolidation where two or more legal entities merge and form a new entity, which becomes a successor to all rights and obligations of the preceding entities which cease to exist;
- merger through accession where the surviving entity takes over a target entity which is incorporated into the surviving entity and ceases to exist, the rights and obligations are taken over by the surviving entity.

In case of separation, a legal entity is split into two or more new legal entities which become successors to the rights and obligations of the original entity which ceases to exist. In case of spin-off, one or more legal entities are split off from the original legal entity, and certain rights and obligations of the original legal entity, which continues to exist, are transferred to legal entities so split.

Acquisition of shares

Acquisition of shares is the most commonly-used form of M&A in Belarus and requires certain procedures to be followed depending on the legal form of a target company.

The acquisition of shares in open joint-stock companies, as a rule, is effected only through the stock exchange, with certain exceptions. The acquisition of shares in closed joint-stock companies may be effected over the counter by an off-exchange mechanism, however, subject to obligatory' registration with the trader (stock broker). The transfer of title to the shares in all cases must be registered with a depository.

Acquisitions of participatory interests in limited liability companies and additional liability companies are usually concluded in writing without any special registration. Notarization of such transactions might be required in certain cases.

It should be noted that there is a special type of legal entity in Belarus - a unitary enterprise which is owned by the sole shareholder. The purchase of a unitary enterprise is usually accomplished byway of acquisition of such enterprise as a single property complex, which can be rather complicated. Specific requirements of such types of transactions make them unattractive and sometimes, in order to avoid the complicated process, acquisitions of unitary enterprises are carried out in two stages - a unitary enterprise is transformed (reorganized) into any other legal form, for instance, into a limited liability company, at the first stage, and the shares of the legal entity are acquired at the second stage.

Acquisition of assets

Acquisition of assets has a number of features. The purchaser can either purchase certain assets owned by the vendor without acquiring a legal entity or can purchase the whole business by means of acquisition of a target company as a single property complex.

Such properly complex includes all types of the target's assets and liabilities intended for its activity, such as land plots, buildings, installations, equipment, tools, raw materials, products, legal claims, debts, and intellectual property (the company name, trademarks, and so on), and other exclusive rights.

The properly complex is qualified as a special type of real estate and for that reason the assets acquisition transaction is required to be registered with the State Registry of Immovable Property. The rights and obligations associated with the property complex will be passed over to the purchaser as of the moment of registration of the assets acquisition transaction and the transfer of title to the purchaser.

The acquisition of legal entities as a single property complex is a more complicated transaction than the acquisition through shares, because it entails additional preparatory procedures, such as inventorying, evaluation of the property complex, notifying of creditors, and tax consequences. There are also other requirements making transactions of this type unattractive to market players.

Employment

Employment relations within the framework of MSA transactions are regulated by the Labor Code of the Republic of Belarus. The Code implements the main principles of employees' protection during M&A proceedings. According to the provisions of the Labor Code, the acquisition of shares is not likely to affect employment relations.



Legal environment for foreign investments

In case of change of ownership or reorganization of a legal entity, the employment relationship cannot be terminated without the consent of the employees. Where the employee fails to give such consent, the employment relationship will be terminated subject to severance pay in the amount of not less than two-weeks' average salary. The Labor Code further stipulates that, in case of change of ownership of a legal entity, the employment relationship with the CEO, deputy CEO and Chief Financial Officer can be terminated by the new owner without their consent but subject to a severance pay in the amount of not less than three-months' average salary.

Taxation

Taxation aspects in relation to M&A transactions are regulated by the Tax Code of the Republic of Belarus. If an M&A transaction is a cross-border deal, a double taxation treaty will be applied, if relevant. The Republic of Belarus has double taxation treaties with 65 countries.

The rates of withholding tax, profit tax of legal entities-residents and income tax of natural persons-residents are set at 12%. The costs of acquisition of shares and share capital contributions are tax-deductible. If the seller of shares is a non-resident, the provisions of the respective double taxation treaty will be applied.

The sale of property, as a single property complex, leads to the obligation of the seller to pay not only income tax at the rate of 24% for residents and 15% for non-residents, but also VAT at the rate of 20%.

It is worth mentioning that certain double taxation treaties stipulate that a transaction with shares of a legal entity whose assets mainly consists of immovable property might entail the same tax consequences as in transactions with immovable property of such legal entity.

Privatization

One of the most distinctive features of M&A transactions in Belarus is a considerably high level of acquisition of state-owned companies and property. Cooperation with investors in the process of privatization can be realized through:

- incorporation of an open joint-stock company by transformation (reorganization) of a state-owned enterprise with the participation of an investor;



Belgrade



3,5 h
3 flights a week



Minsk



- sale of a state-owned enterprise as a property complex and sale of holdings of shares by conducting an auction or a competition;
- direct sale of shares to investors.

The list of state-owned properties included in the privatization plan and the list of open joint-stock companies incorporated in the process of the state property privatization are subject to periodical approval.

The choice of an investor as a founder of an open joint-stock company is made on a competition basis. If there is only one potential investor, the decision is made by direct negotiations.

Payment of contributions (whether monetary or non-monetary) to the share capital of an open joint-stock company in full before the meeting of founders takes place is one of the conditions precedent to choosing an investor.

The shares with the value equal to the amount paid will be transferred to the investor's ownership upon the registration of the shares and the statutes of the open joint stock company.

According to the conditions of sale, the owner of a privatized enterprise is obliged to pay off the debts to the state or to any other creditor in the appropriate manner, to preserve jobs, ensure production and commercial operations of the enterprise and fulfil other terms and conditions of the sale agreement.

Loss-making state companies can be sold to a legal entity by competition in the process of privatization. The sale of loss-making state companies is required to be conducted in

compliance with the following conditions:

- realization of the investment project and social programs to support employees;
- assuming of outstanding obligations of the loss-making state company;
- preservation of old and creation of new jobs according to the investment project.

The initial sale price of a loss-making state enterprise consists of the price of the enterprise as a property complex and of the price to be paid for the right to conclude an agreement on the lease of a land plot. The initial sale price of a loss-making state enterprise is estimated to constitute 20% of its value. If the assessed value is equal to zero or is negative, the initial sale price of such enterprise will be one basic unit.

6.11. Financial regulations

Legal norms contained in the international treaties of the Republic of Belarus are a part of the currency legislation in force in the territory of the Republic of Belarus. If the international treaty establishes other rules than those provided by the national legislation, the rules of the treaty are applied.

6.11.1. Currency transactions and their fulfillment

Currency transactions carried out between residents and non-residents are divided into current currency transactions and currency transactions connected with capital flow.

Current currency transactions shall be carried out between the residents and non-residents without any restrictions and permissions of the National Bank of the Republic of Belarus, with the exception of the currency operations under gift contracts (including donations).



The following Transfers of foreign currency shall be deemed current currency transactions for:

- carrying out settlements on transactions stipulating export and/or import of goods (with the exception of monetary funds, securities and immovable property), protected information, exclusive rights to intellectual activity results, works, services;
- making settlements for leasing (financial leasing);
- transfer and receipt of dividends and other income on investments;
- transactions of non-commercial character.

Currency operations connected with capital flow are those, which are not considered as current currency operations. The residents as a rule require a permission of the National Bank of the Republic of Belarus. To implement these transactions by non-residents permits of the National Bank are not required.

Settlements between non-residents in Belarusian rubles and foreign currency held under the accounts opened in the banks and non-bank credit and financial organizations of the Republic of Belarus are carried out without limitations.

6.11.2. Banks account

Residents and non-residents have the right to open in banks and non-bank credit and financial organizations of the Republic of Belarus accounts in Belarusian rubles and any foreign currency, official rate of Belarusian ruble to which is established by the National Bank, in order determined by the National Bank. Belarusian company may open accounts in foreign currency and in Belarusian rubles in banks and other credit organizations beyond the Republic of Belarus while observing the order and terms established by the

National Bank.

Belarusian company requires a permission from the National Bank to obtain credits and/or loans from a non-resident, if there is at least one of the following conditions:

- interest rate for the loan in USD or EUR exceeds 14 percent per annum; while performing operations in other foreign currencies the rate of refinancing of the respective central bank increases by 5 percentage points;
- default interest rate for using loan exceed 0.01 percent for every day of delay (3.65 percent per annum);
- the contract stipulates, along with the interest rate of using loan, a duty to perform other payments (except for payments for using a loan in the case of the default in repayment of a loan, and the payments for paying the penalty (fine, interest penalty);
- fulfillment of obligations on the repayment of the loan is carried out not from the credit-holder's account;
- the loan is transferred directly to the account of a third party, without initial transfer into the resident's bank account;
- the creditor is registered in an off-shore zones).

6.12. Employment relations

Investors and commercial organizations established in the prescribed manner with the participation of the investor shall be entitled to attract to the Republic of Belarus foreign citizens and stateless persons, including those not having a permit for permanent residence in the Republic of Belarus, for the work activity in the Republic of Belarus under labor contracts in accordance with the law of the Republic of Belarus.

Budapest



2 h
2 flights a week



Minsk



Legal environment for foreign investments

3) other results of intellectual activity and individualization means

Copyright and adjacent right objects are subject to protection due to their creation themselves. There is no need to register them or acquire any other documents enabling their protection. They are protected by the law since the moment of their creation.

In order to get legal protection of other intellectual property objects one needs a protection document:

- for inventions, useful models, production pieces, selected achievements – a patent;
- for topographies of integral circuits, trademarks and service marks, geographical indications of product origin – a certificate;

- for brand names of legal entity – registration of legal entity, foundation documents of which contain a brand name).

Protection of rights of intellectual property objects is a function of the National Centre of Intellectual Property.



Geneva



3 h

3 flights a week



Minsk





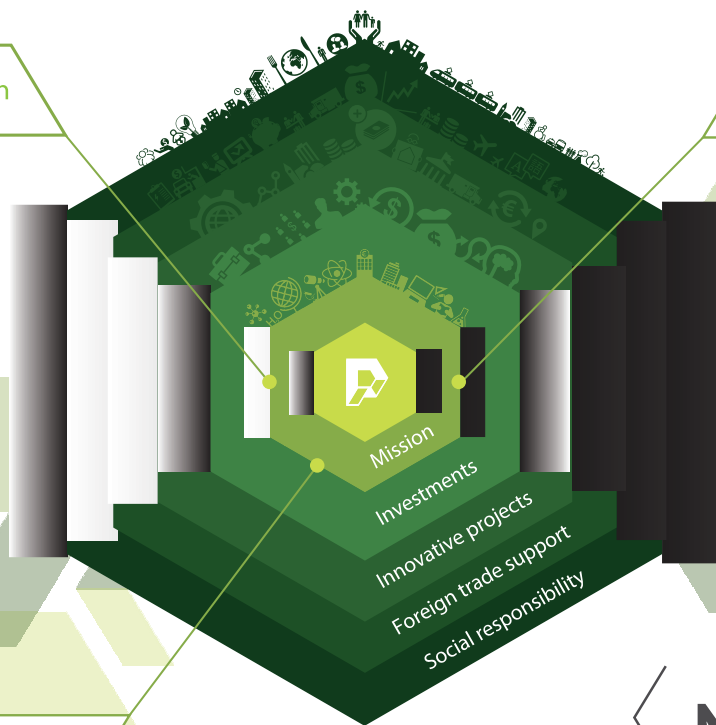
DEVELOPMENT BANK

Republic of Belarus

Development institution

Strategic role in the economy

Financial agent of the Government



New
possibilities
www.brrb.by





Dear Sir or Madam!

Let me greet you on behalf of Belgosstrakh,
General Partner of the Forum.

As the head of the leading insurance company of the Republic of Belarus, operating since 1921, I invite you to partner mutually beneficial cooperation. Belgosstrakh offers a comprehensive range of insurance products and services from classic ones to unique insurance products.

Our organization is a universal working with both private and corporate customers.

Belgosstrakh policies provide insurance protection for the majority of investment projects ongoing in our Republic.

Among the clients of our company are following entities: EBRD, IFC, UNDP, Coca-Cola, Carlsberg, Heineken, Danone, Nokia Siemens Networks, Henkel Bautechnik, etc.

Let me express my confidence that Belgosstrakh will become your reliable assistant on the way to success in investment activity in the Republic of Belarus.

Sincerely yours,

S. Yakubitsky
Director General of Belgosstrakh



NATIONAL AGENCY FOR INVESTMENT AND PRIVATIZATION



SEPTEMBER • 2014

NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

14 Bersona st., 220030 Minsk, Republic of Belarus

Phone: +375 17 200 81 75

Mob.: +375 29 794 09 91

Mob.: +375 29 690 09 44

Fax: +375 17 226 47 98

E-mail: mail@investinbelarus.by



www.investinbelarus.by



mobile app