

INVEST



IN BELARUS

GUIDEBOOK

NOVEMBER • 2015

Investment opportunities,
legal and economic environment

PREPARED BY

 NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION



SORAINEN

ESTONIA LATVIA LITHUANIA BELARUS



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OPENING REMARKS



INVEST IN BELARUS
GUIDEBOOK
NOVEMBER 2015

Natalia Nikandrova



Astana



4,5 h
2 flights daily

Minsk

Dear Reader,

As you are holding this handbook, you should have already got at least one sound reason to consider the possibility of letting your business grow in Eastern Europe. And this is where you start, as Belarus is a smart, reliable and promising destination indeed.

It is smart because one wouldn't want to choose another place for the business, when having a goal of overcoming trade barriers and confidently stepping into the market of 180 million consumers of the Eurasian Economic Union.

It is reliable as Belarus has a friendly legal environment which ensures stable regulatory frameworks for those doing business in the country, which is reinforced with more than 60 international agreements on assistance in the mutual protection of investments.

And it is promising, since investors still go on emphasizing low competition in certain market segments in the country. Also to foster the process of producing new goods and services, our country offers special incentives for foreign investors to exploit these opportunities.

So, as the National Agency of Investment and Privatization we value every kind of investment, including the time and attention you are taking to get to know both Belarus and the opportunities it provides for foreign businesses. That is why we put our efforts to make this Guidebook a source of all primary information which a developing business may seek.

I invite you to explore the handbook, to address the National Agency of Investment and Privatization for any further information and support, and of course, I invite you to Belarus!

Welcome to discover!

Natalia Nikandrova
Director of the National Agency
of Investment and Privatization



OPENING REMARKS



INVEST IN BELARUS
GUIDEBOOK
NOVEMBER 2015

Maksim Salahub



Barcelona



3,5 h

2 flights a week

Minsk

Dear Reader,

According to a report published by the World Bank, Belarus currently ranks 44th on its Ease of Doing Business scale. During the preceding year the country made remarkable progress in the areas of taxation and obtaining construction permits . Factors which may improve the ranking further include ongoing robust reforms of corporate and securities law.

The country is working hard on developing its legal framework for business to remain competitive in the region, to attract more foreign investment to boost export-oriented industries, and to modernize the economy. To a great extent, positive change is fuelled by involvement in the evolving Eurasian Union with Russia and Kazakhstan – an undertaking which implies adjusting national laws to higher standards often set by other member states, especially Russia.

Below, we are happy to offer you a digest of the key regulations on business activities in Belarus prepared by SORAINEN lawyers.

Kind regards,

Maksim Salahub,

Partner at SORAINEN Belarus

Minsk

3 h

2 flights a week



Batumi

01 | CHAPTER



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 five EAEU countries (Belarus, Russia, Kazakhstan, Armenia and Kyrgyzstan)

Today companies investing in Belarus automatically enter the 182-million market of five EAEU 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 2016 research. 44th place out of 189 countries, leaving Russia and Ukraine far behind. Concerning such indices as "property registration" (7th place) and "starting a

Belgrade



3,5 h

2 flights a week

Minsk

business” (12th 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.

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.



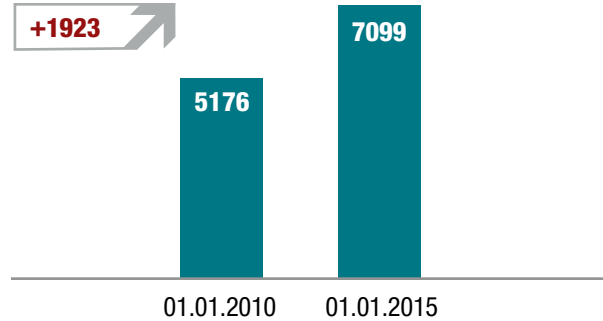
01 | CHAPTER



INVESTMENT OPPORTUNITIES

Commercial organizations with foreign investments

Number



Economic role

2014

2010

export of goods



retail turnover



investments in fixed capital



sales of goods revenue



personal



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



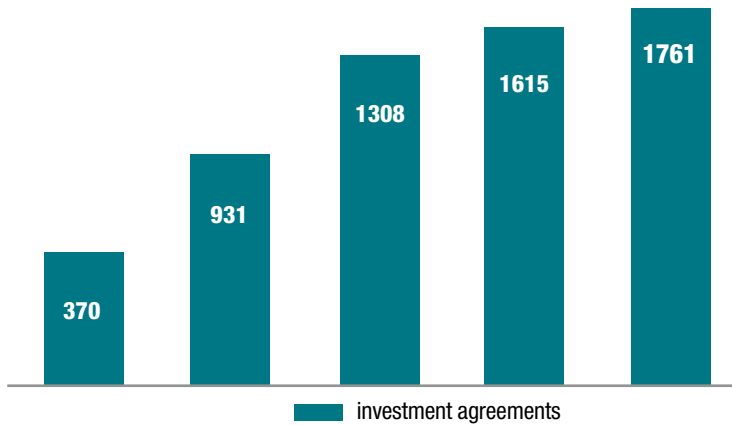
2 h

3 flights a week

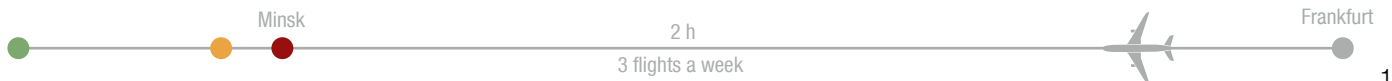
Minsk

Number of investment agreements with Belarus

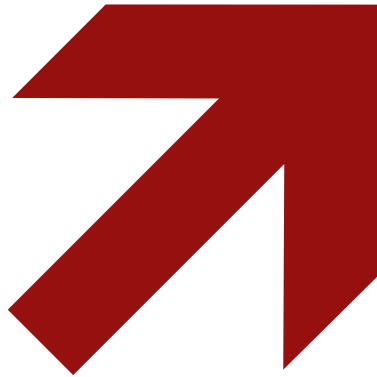
2,4 times growth in number of agreements



1.1. BELARUS IN WORLD RANKINGS: STRONG POTENTIAL, GOOD PERFORMANCE



01 | CHAPTER



INVESTMENT OPPORTUNITIES



When compared to 2010, Belarus improved its position in the Human Development Index, Legatum Prosperity Index, ICT development 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

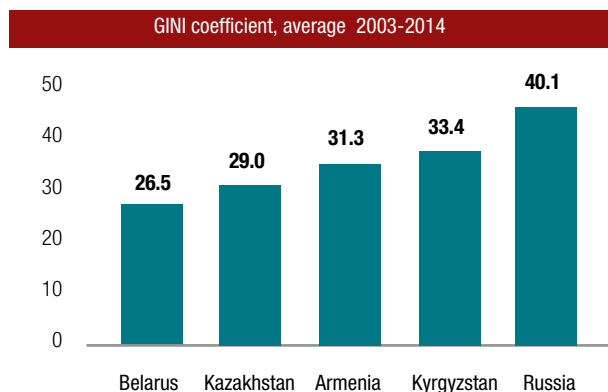


ranked above Ukraine or Russia, but lower than Poland, Lithuania and Latvia.

Belarus has improved its investment attractiveness in 2015. During the year the country has moved up from 115 to 86 in the ranking of investment attractiveness, compiled by the Hamburg Institute of World Economy in coordination with German auditing firm BDO. The appeal of a country has been determined by its level of development and a combination of economic, politico-legal and social factors.

In accordance with the information and communication technologies development index 2014 Belarus occupies the 38th position. According to the information and communication technologies development report, for the first time since the national program for accelerated development of services in the sphere of information and communication technologies in 2011-2015 was launched, Belarus is the CIS leader and is ahead of Russia (42nd position) and Kazakhstan (53rd position). Belarus' successful advancement of information and communication technologies has been praised by ITU experts for years. Judging by results achieved in 2013 Belarus has been noted as one of the world's nine economies with the largest changes in ICT access, which reflects the technical level of development of the modern infrastructure in the country.

Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among in



dividuals or households within an economy deviates from a perfectly equal distribution.

The results show that wealth division of population in Belarus is at low level despite the implementing the principles of the market-driven economy. The country is in top 20 countries by social equality.

Easy of doing business index

Country	DB index ranking
Singapore	1
Czech Republic	36
Kazakhstan	41
Belarus	44
Italy	45
Russia	51
Luxembourg	61
China	84

Source: World Bank

ICT development index

Country	ICT development index ranking
Denmark	1
Belarus	38
Russia	42
Poland	44
Kazakhstan	53
Turkey	68
Ukraine	73
Georgia	78

Source: International Telecommunication Union



01 | CHAPTER



INVESTMENT OPPORTUNITIES

Legatum prosperity index

Country	Legatum prosperity index ranking
Norway	1
Poland	29
Lithuania	41
Russia	58
Belarus	63
Kyrgyzstan	66
Ukraine	70
Azerbaijan	71

Source: Legatum Institute

Human development index

Country	Human development index ranking
Norway	1
Poland	36
Lithuania	37
Belarus	50
Russia	50
Kazakhstan	56
Ukraine	81
Armenia	85

Source: United Nations

Helsinki



1,5 h

Minsk

3 flights a week

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

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

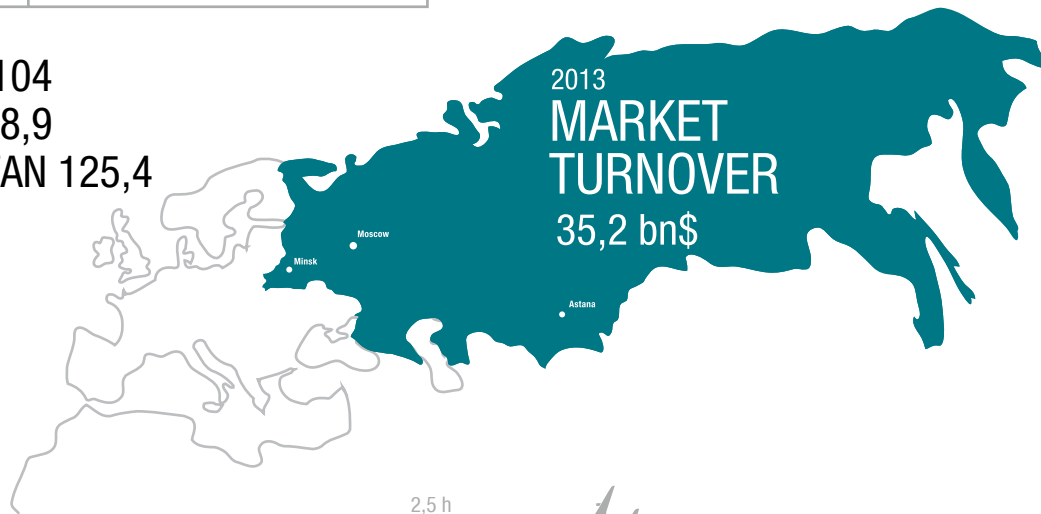
2.1. PHARMACEUTICAL INDUSTRY

Access to the large and dynamic market
Pharmaceutical products manufacturing in Belarus provides duty-free access to the large and dynamic market of 5 member states of the Eurasian Economic Union (Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan).

Consumption per capita, \$, 2014

CES

BELARUS 104
RUSSIA 148,9
KAZAKHSTAN 125,4



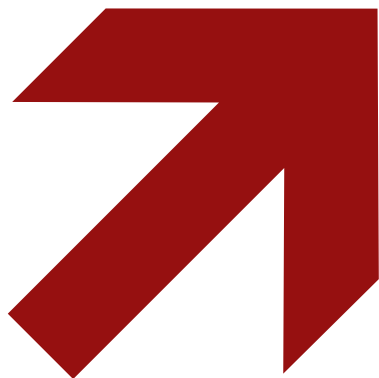
Minsk

2,5 h

4 flights a week

Istanbul

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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.

80 PROJECTS  167,4 ha

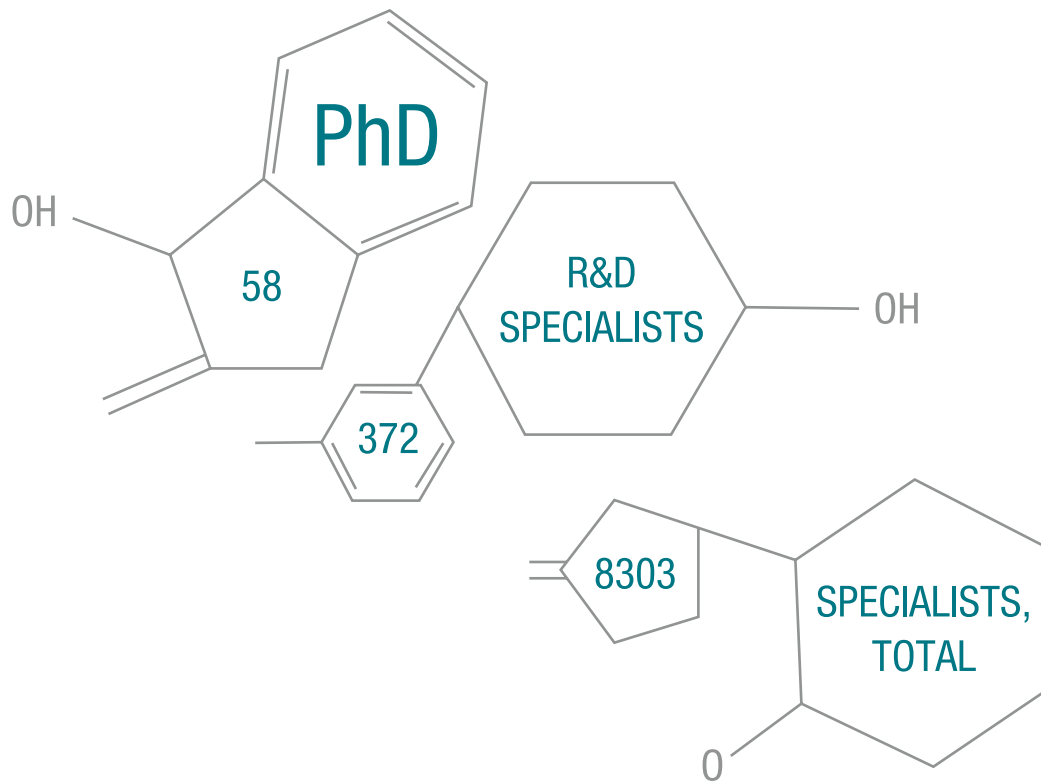
2 SITES (INFRASTRUCTURAL AND INDUSTRIAL) IN MINSK AND MINSK REGION FOCUSED ON PHARMACOLOGY, MICROBIOLOGY, BIO-AND NANOTECHNOLOGY

PREFERENTIAL TAX TREATMENT FOR **20** YEARS

CREATION OF SUSTAINABLE RELATIONS BETWEEN PARK RESIDENTS, SCIENTIFIC ORGANIZATIONS, EDUCATIONAL ORGANIZATIONS AND PUBLIC HEALTH ORGANIZATIONS OF THE REPUBLIC OF BELARUS

* -50% tax rate



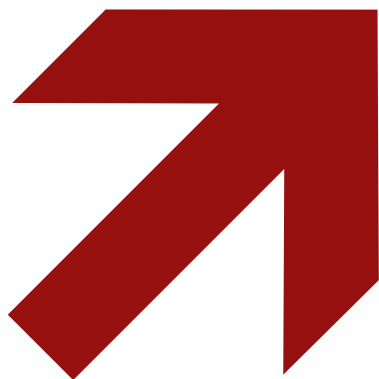


Developed HR potential

Pharmaceutical industry of the Republic of Belarus employs more than 8.0 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.



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INVESTMENT OPPORTUNITIES

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 objectives of the Belarusian pharmaceutical industry for

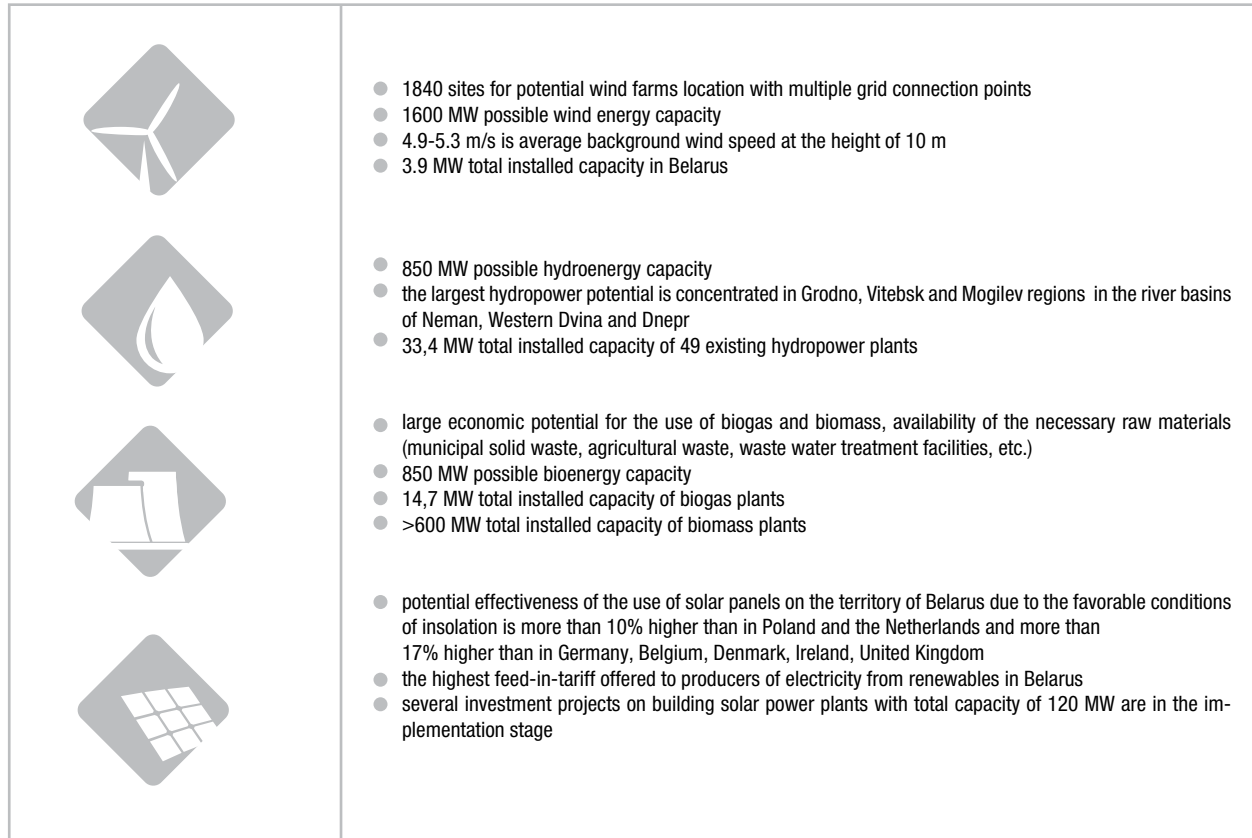
- creation of a modern research infrastructure for development and production of innovative pharmaceutical products, including reconstruction of existing enterprises and construction of modern production facilities that will meet international quality standards,
- cooperation with leading pharmaceutical manufacturers in organization of joint and foreign ventures.

In January-May 2015 the share of Belarusian medicaments was 47.3%, while in January 2015 it was only 39%. Today in Belarus more than 1.4 thousand items of domestic drugs are registered.



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.



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INVESTMENT OPPORTUNITIES

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
Wind energy for equipment plants with following age of equipment: — less than 5 years — more than 5 years	1,2 (0,155 USD*) 1,05 (0,135 USD*)	0,75 (0,097 USD*)
Natural movement of water energy, geothermal energy: ≤ 300 kW 301 kW – 2 MW > 2 MW	1,2 (0,155 USD*) 1,15 (0,148 USD*) 1,1 (0,142 USD*)	0,75 (0,097 USD*)
Energy from wood, biogas, and other renewables ≤ 300 kW 301 kW – 2 MW > 2 MW	1,3 (0,168 USD*) 1,25 (0,161 USD*) 1,2 (0,155 USD*)	0,85 (0,110 USD*)
Solar energy: ≤ 300 kW 301 kW – 2 MW > 2 MW	2,5 (0,323 USD*) 2,3 (0,297 USD*) 2,1 (0,271 USD*)	0,75 (0,097 USD*)

*As of 01.10.2015 per 1 kW*h.

Substantial governmental support

Due to a high dependence on imported energy resources, development of RES industry in Belarus is one of the government's priorities. Systematic work on development of re-

Moscow



1,5 h

7 flights daily

Minsk

newable energy sector is organized and supported by all level 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.
- c) inclusion of RES in the country's fuel and energy complex

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.

Additional incentives and benefits

Along with high resource potential and progressive legislative framework in RES sphere, the Republic of Belarus offers for–

foreign investors a multiple number of unique advantages:

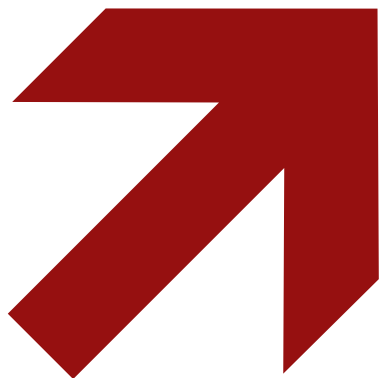
- a) by concluding an investment agreement with the Republic of Belarus a foreign company:
 - is exempt from import duties and VAT on imported equipment for its use within the framework of the investment project;
 - is exempt from land tax or rent payment for the land plots being the state property, provided for the construction of the objects;
 - is entitled for renting a land plot of the required size without holding an auction;
 - is entitled for the deduction of the full amount of VAT paid during the acquisition of the goods, property rights used for the project planning, construction, equipment of the objects provided by the investment project etc.
 - is entitled for determination without holding a tender of the general project organization, general contractor, sub-contractor project, construction and other organizations etc.
- b) while doing business in the territory of small and medium towns and rural areas a foreign company is exempt from:
 - import duties and VAT on imported equipment for its use within the framework of the investment project;
 - profit tax for the first 7 years from the registration date;
 - real estate tax, state duties for obtaining special permissions (licenses), contributions to innovation funds.

Main legal acts in the sphere of renewable energy sources:

Law "On renewable energy sources" No 204-3 of 27.12.2010.
Presidential Decree "On usage of renewable energy sources" No 209 of 18.05.2015.
Resolution of the Council of Ministers "On establishing and distributing of quotas for creation of renewable energy plants" No 662 of 06.08.2015.
Resolution of the Ministry of Economy "On tariffs for electric energy produced from renewables..." No 45 of 07.08.2015.



01 | CHAPTER



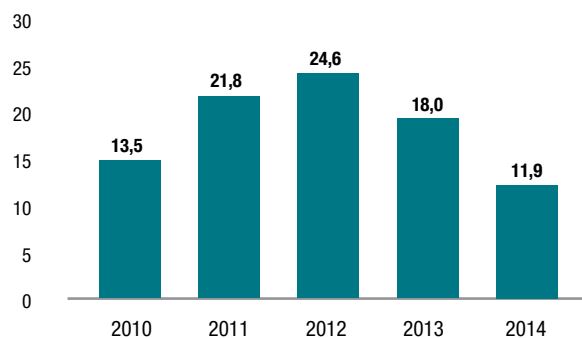
INVESTMENT OPPORTUNITIES

2.3. AUTOMOTIVE INDUSTRY

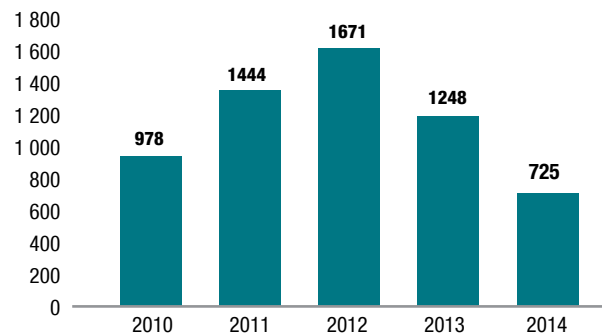
The industry is widely recognized for the long-standing tradition and its competence in machine building and manufacturing. Most companies in the sector originated as factories manufacturing equipment for the transportation of minerals, as manufacturers of tractors or as parts and components suppliers.

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.

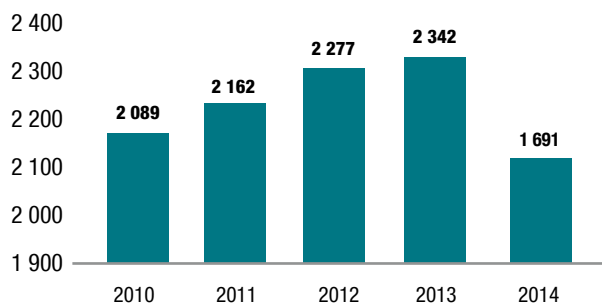
Production of freight vehicle, thousand units



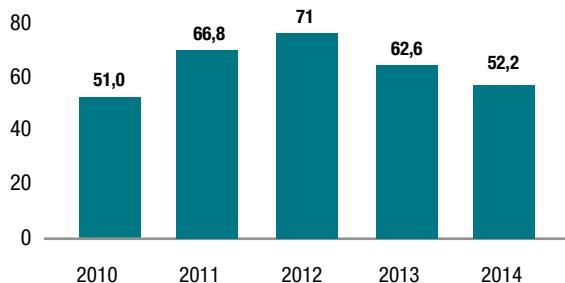
Production of rock handlers, units



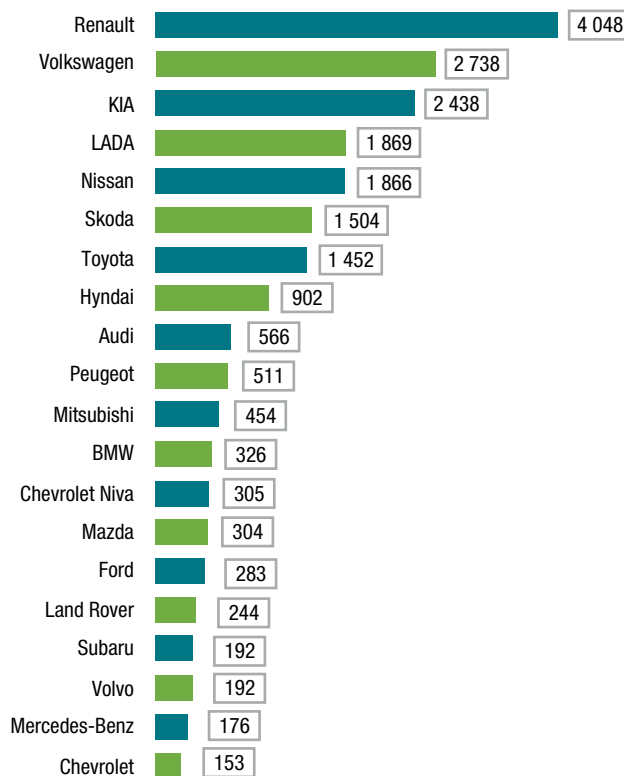
Production of buses, units



Production of agricultural application tractors, thousand units



Most popular foreign car brands (by number of sold cars)



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

Motorization degree ratio in Belarus is one of the largest among former Soviet states and accounts for 355 passenger cars per every 1000 of the population.

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.

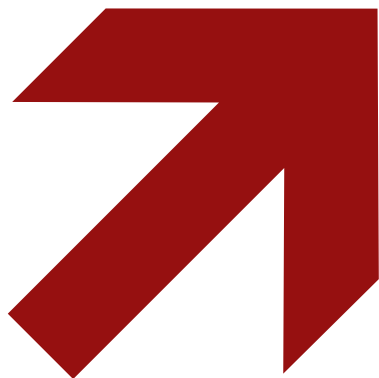
Minsk

2 h

1 flight daily

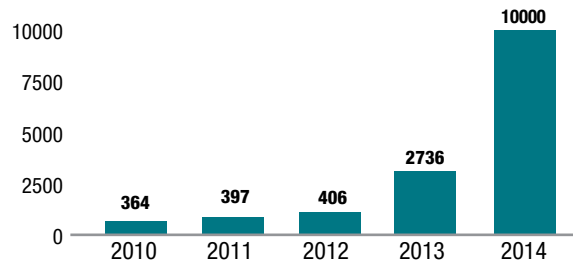
Prague

01 | CHAPTER



INVESTMENT OPPORTUNITIES

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;
- units of modern machinery and equipment, which are to be bought only from domestic enterprises;
- upgrading of public buses and trucks.

In total, 21.336 thousand cars were sold by Belarusian dealers in 2014. According to the number of sold new cars at the end of 2014, Renault left competitors far behind. Second place was occupied by representatives of the German automobile industry, and the third place went to the Korean automobile industry. Russian LADA, purchased for many services and organizations, had a lead only of three sold cars and left Nissan behind.

According to BAA, overall, only seven car brands with foreign technical equipment, overstepped a thousand sales objective.



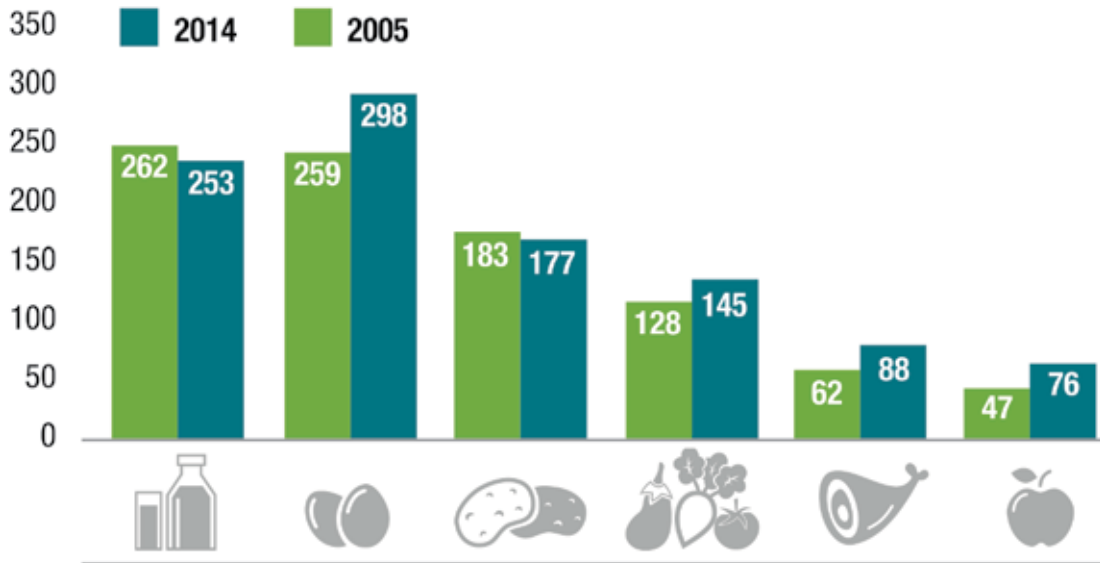
2.4. FOOD INDUSTRY

The functioning of the Eurasian Economic Union of Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan 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.

Per capita consumption of principal foods, kg



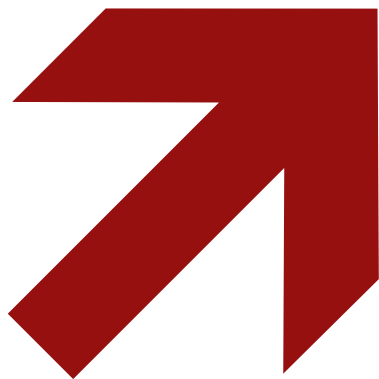
Raw materials

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.

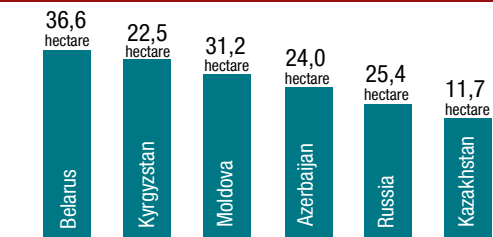


01 | CHAPTER



INVESTMENT OPPORTUNITIES

Grain crop capacity, 2014



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.

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.

Saint Petersburg

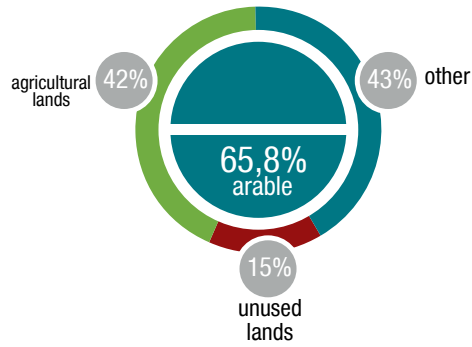


1,5 h

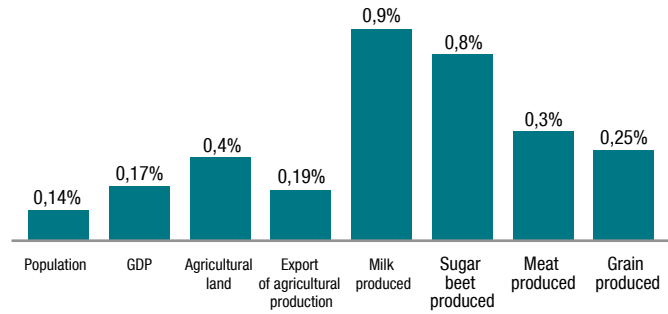
3 flights daily

Minsk

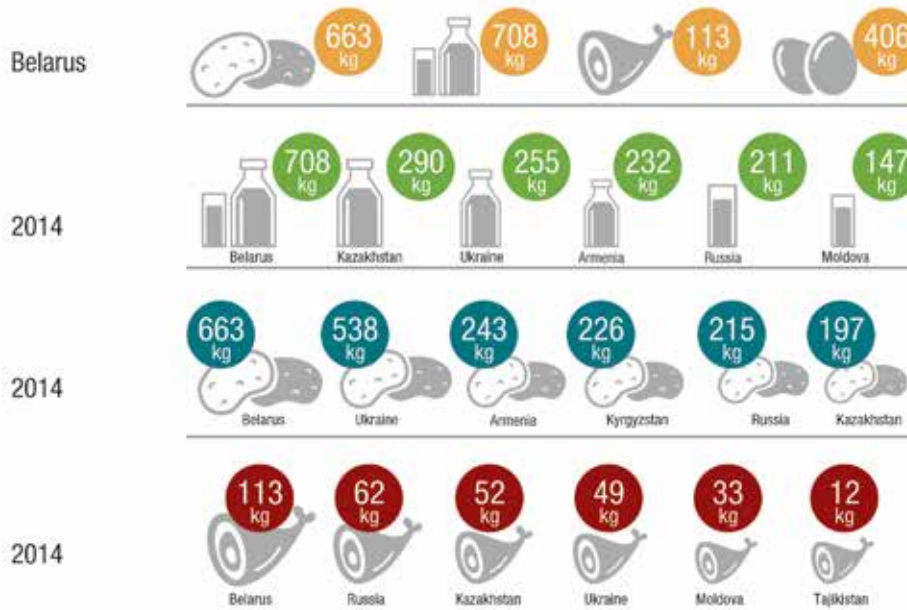
Land Fund Structure



Belarus competitiveness



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



Minsk

2 h

4 flights a week



Stockholm

01 | CHAPTER



INVESTMENT OPPORTUNITIES

	Rank of Belarus among top 20 exporters by physical volume	Belarus' share in the top 20 exporters' exports by volume, %
Fresh or chilled bovine meat	13	2.9
Cheese and curd	11	3
Milk and cream, sweetened or concentrated	4	9
Butter	8	4.4
Milk not concentrated nor sweetened (1-6% fat)	9	3.7
Milk and cream powder unsweetened	17	1.2
Refined sugar	12	2.2
Sausage and similar products of meat	8	4.8

Tbilisi



3 h

1 flight daily

Minsk

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

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

Site selection support

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

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

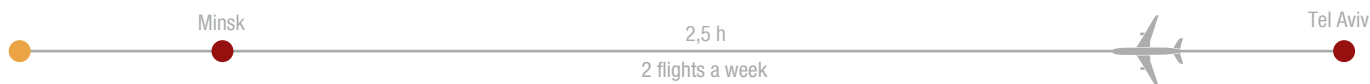
In the framework of «aftercare» the Agency provides support to facilitate the re-investment and enterprise development, including:

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

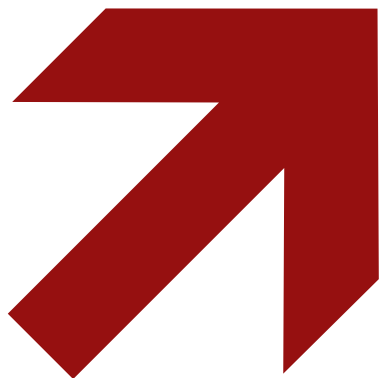
3.2. PILOT PRIVATIZATION PROJECT. IMPLEMENTING BEST INTERNATIONAL PRACTICES

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.



01 | CHAPTER



INVESTMENT OPPORTUNITIES

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 Agency has completed project activities with regard to first eight State Owned Enterprises representing construction, food and medicine industries.

Up to 20 Expression of Interests (EOI) were received for each enterprise showcasing sufficient interest from potential investors. Potential investors have represented well established reputable companies from all over the world, including Western and Central Europe, India, Singapore, CIS, and Baltic countries. In average, 2 investment bids have been received for each enterprise. 3 Sales and Purchase Agreements (SPA) and other relevant documents for negotiations have been drafted.

State Owned enterprises to be included into the second round of the process are being identified by competent authorities.

Such industries as machinery, instrumentation and agriculture are considered to provide companies for a new Privatization list.

The Pilot Privatization Project includes the following stages:

Stage 1. Selection of companies

The careful selection of candidate companies for privatization is of great importance and shall take into consideration all possible economic, social and political risks. The Agency is collaborating with the State Property Committee, the Ministry of Economy and the World Bank in process of selecting

Vienna



2 h

2 flights daily

Minsk



companies for a case- by-case privatization according to the criteria specially designed for this Project especially: annual sales, profitability of companies, the amount of short- and long-term obligations, the number of employees. etc.

Approval of the list of privatization objects in relation to which the Agency performs the functions of privatization bodies is carried out on the basis of the resolution of the Council of Ministers of the Republic of Belarus approved by the President of the Republic of Belarus.

Stage 3. Preparation of SOEs

<p>Phase 1. Preparation the company for the sale:</p> <p>Pre-build due diligence; Recommendations on actions to be taken to improve the attractiveness of the SOE; Valuation of the SOE based on international standarts and Belarussian accepted methodology; Assessment of market intrest; Preparation of the financial reports in compliance with IFRS; Developing of the Privatization Strategy for each SOE.</p>
<p>Phase 2. Launching the tender process:</p> <p>Advertise the transaction in local and international medis; Distribution of Teasers; Submission of the Expressions of Interest (EOIs) by the potential buyers; Short listing of the Potential Investors: the FA will assess and provide the Agency with the financial viability and strategic fit of investors who submitted EOIs; Due Diligence process: the due diligence process requires that the shot-listed potential buyers will be given a high degree of access to the SOE's Data Room.</p>
<p>Phase 3. Negotiation and Closing. Once the due diligence is over, the buyers will submit their bids and the most attractive bid will selected.</p>

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.

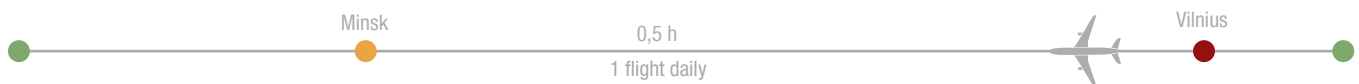
Stage 4. Interest analysis

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.



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BELARUSIAN ECONOMY

4. ECONOMY OF BELARUS. OVERVIEW

Being a small open economy, the economy of the Republic of Belarus in 2014 and at the beginning of 2015 was determined by the external shocks caused by recessions at the markets of the main trade partners and decline in oil price. Also the expansionary macroeconomic policy of the recent years has caused inflation and external imbalances.

At the end of 2014, inflation was 16.2%, which exceeded the annual forecast by 5.2%, despite the efforts to address inflationary pressures by liquidity constraint and credit growth.

The Belarusian export is highly concentrated, with Russia accounting for about half of exports (42 % in 2014). Depreciation of the Russian ruble in 2014 led to the decrease of competitiveness of Belarusian goods at the Russian market. Moreover, the continuing intention of the government to secure level of real income put pressure on the Belarusian producers forcing them to increase wages and salaries. That, in turn, resulted in loss of price competitiveness of the Belarusian export mitigating the effect of the flexible exchange rate regime.

To overcome the circumstances, the government of the Republic of Belarus took the following measures:

- The introduction of a crawling peg regime, which allowed the decline in the Belarusian ruble by 1-1.5% per month against the US dollar (which did not solve the problem even with double-digit inflation);
- Maintaining a high refinancing rate (and therefore the credits to the real sector of the economy became too “expensive”. Lack of credit availability led to the need for support from the government as compensation for the costs of loan servicing, granting of preferential loans, debt relief, etc.) In June, 2015 the refinancing rate has remained at 25 per cent per annum.

Amsterdam



3 h

6 flights a week

Minsk

- Wage restraint. Keeping wages at a fixed level in nominal terms could prevent the stimulation of domestic demand and contribute to the restoration of the competitiveness lost as a result of the exaggerated wage growth in recent years.

Having overcome the slowdown for three consecutive years, the economic growth of the Republic of Belarus restored up to 1.6 per cent in 2014, due to the stimulation of domestic demand and some increase in net exports, but mainly due to a sharp decline in net imports.

Macroeconomic Indicators.

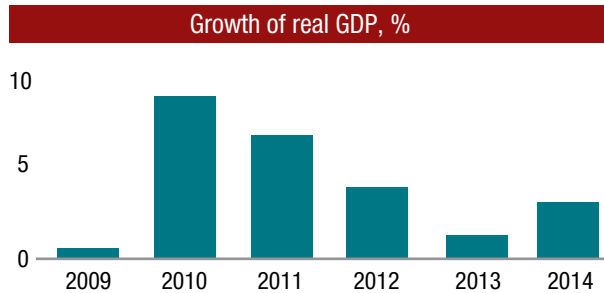
4.1. GROWTH OF REAL GDP

However, in January 2015 the Government has allowed a significant adjustment of the exchange rate of the national currency (about 30%). Also, the National Bank of the Republic of Belarus has refused the crawling peg of the Belarusian ruble to the US dollar as was used in 2014, declaring that the ex-

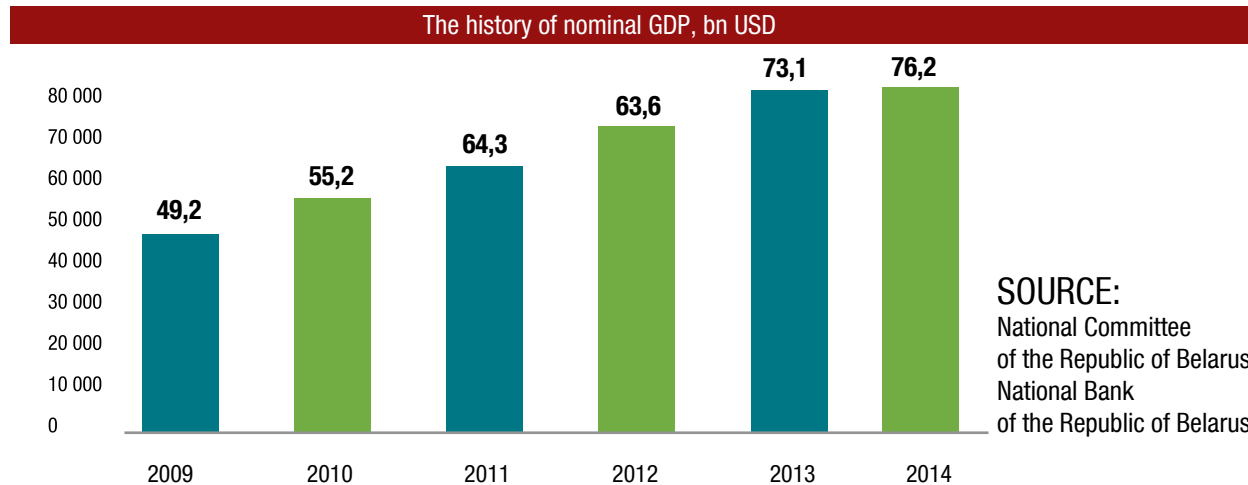
change rate policy will be based on a currency basket consisting of the Russian ruble, the US dollar and the euro.

This measure should ensure the flexibility of the exchange rate to protect international reserves and appropriate adjustment of the exchange rate in a changeable environment.

According to the assessment of the International Monetary Fund the Belarusian economy is projected to decrease by 2 1/4 percent in 2015.

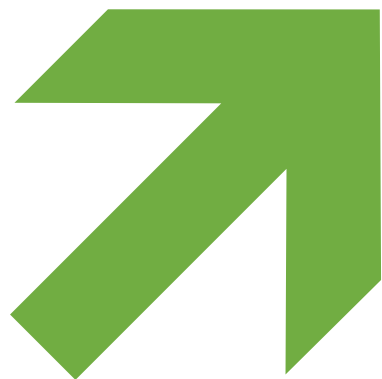


4.2. NOMINAL GDP



SOURCE:
National Committee
of the Republic of Belarus,
National Bank
of the Republic of Belarus

02 | CHAPTER



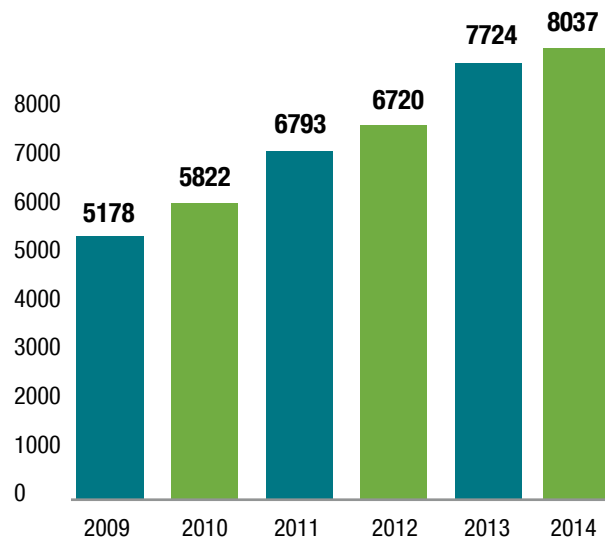
BELARUSIAN ECONOMY

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.

4.3. 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.

The history of GDP per capita, USD



SOURCE:

National Committee of the Republic of Belarus,
National Bank of the Republic of Belarus, proper calculations

Astana



4,5 h

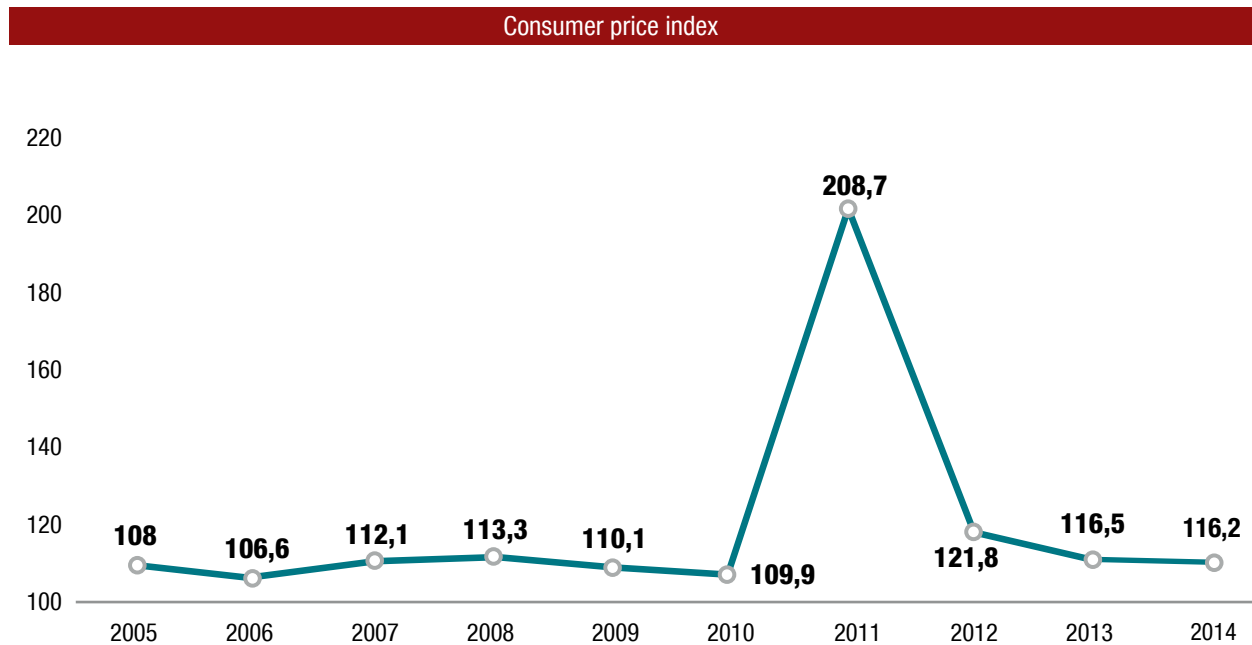
3 flights daily

Minsk

4.4. 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.

In June 2015 the slowdown in prices (CPI in June 2015 in comparison with May 2015 was 100,7%) has been due to the adopted stabilizing measures of monetary and economic policies aimed at the restraint of domestic demand, as well as the general decline in income and inflation expectations in the economy. In terms of the structure of CPI, the growth of the last can be mainly explained by the increase in administratively regulated prices.



SOURCE:

National Statistical Committee of the Republic of Belarus

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BELARUSIAN ECONOMY

4.5. INTERNATIONAL TRADE

The nominal decline in exports (26.3%) in January-June 2015 as compared to the same period of the previous year has exceeded the decline in imports (24.7%). This dynamic is mainly due to the decline in exports to the CIS countries, where the decline in exports has been 36.1% and imports is 24.0% (including 33.3% in Russia and 22.2%, respectively)

The decline of exports is mainly due to a 31% drop in average export prices. The physical volume of exports has remained almost at the level of the previous year (has decrease by 1%). The largest decline in exports has occurred in energy products due to the collapse of the world oil prices. Growth in exports can be noted in such important positions as potash and nitrogen fertilizers, semi-finished products of iron or non-alloy steel.

The reasons for import reduction are:

Firstly, the depreciation of the real exchange rate of the Belarusian ruble (including a strong weakening against the Russian ruble).

Secondly, the decline in real disposable income, including real wages, which to some extent has limited consumer demand and constrained consumer imports;

Barcelona

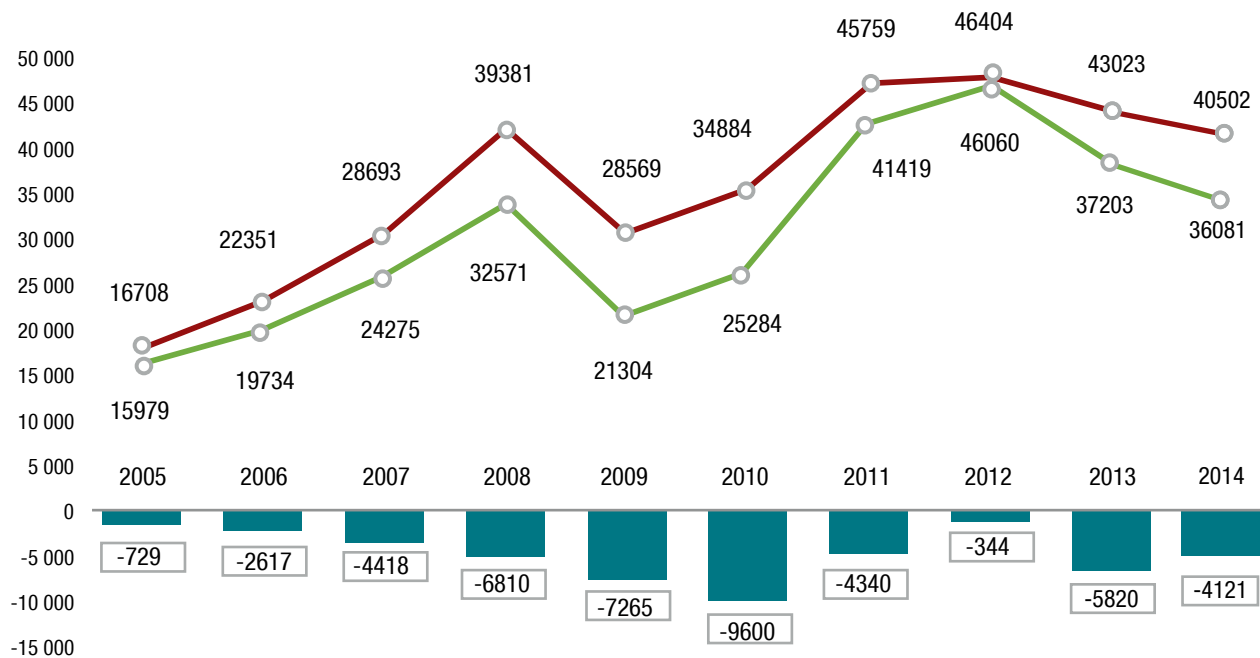


3,5 h

2 flights a week

Minsk

Dynamics of foreign trade of good and services, mln USD



SOURCE:
National Statistical Committee
of the Republic of Belarus

02 | CHAPTER

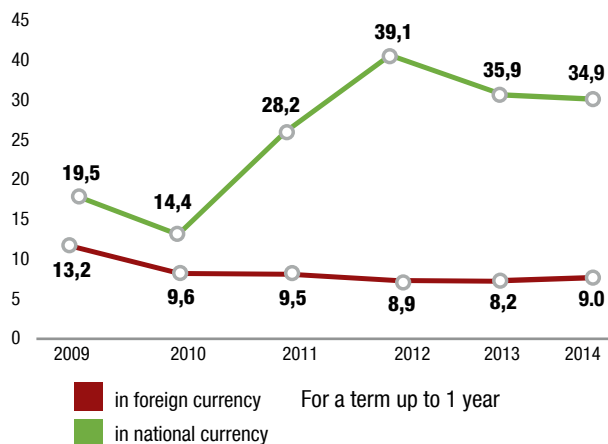


BELARUSIAN ECONOMY

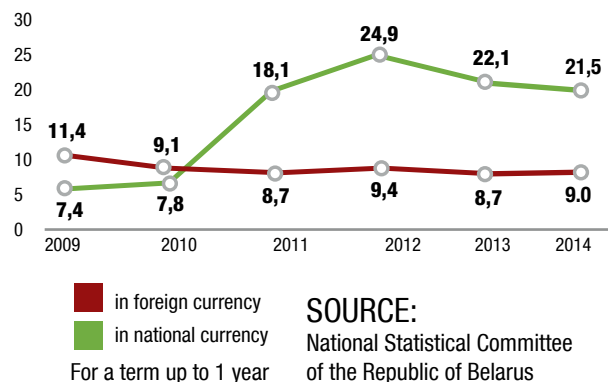
4.6. CREDIT RATES FOR LEGAL PERSONS

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



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



SOURCE:
National Statistical Committee
of the Republic of Belarus

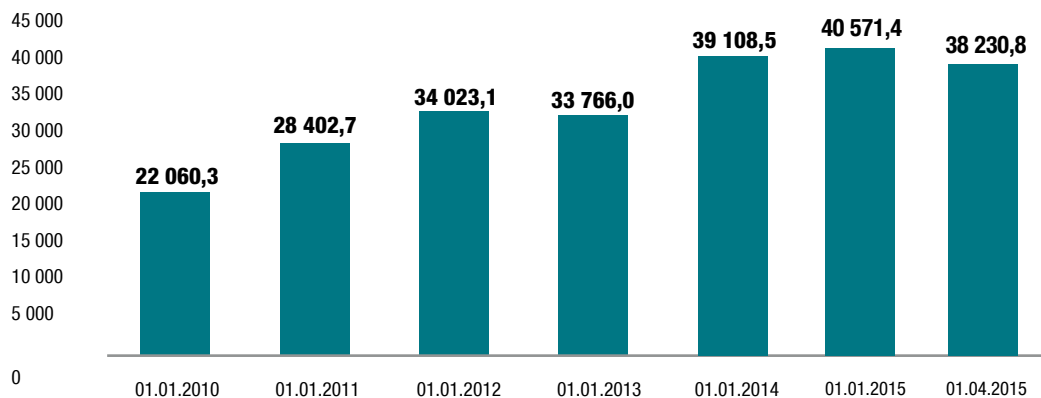


4.7. GROSS EXTERNAL DEBT

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.

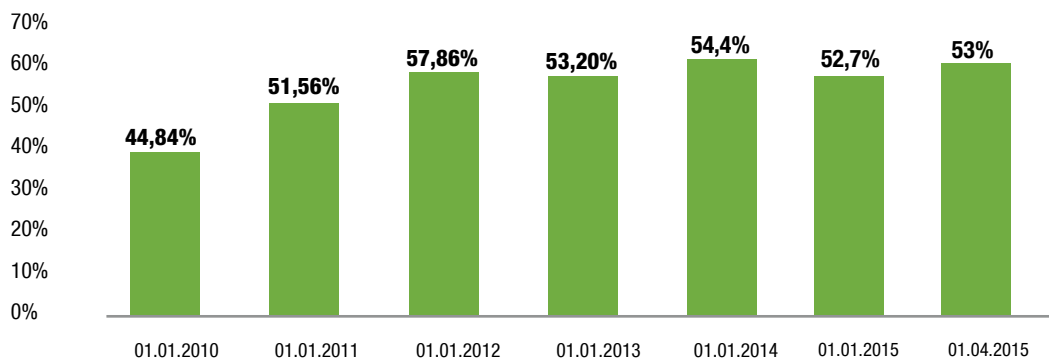
On March 31, 2015 in fulfillment of its stand by loan obligations the Republic of Belarus paid off the last part of the main debt in the amount of 54.7 mln SDR (equal to 75.9 mln US dollars). Thus, Belarus has realized the stand by program, approved by the IMF 3.5 bln loan from January, 2009 to April, 2010. The above program allowed the country to reach the macroeconomic stability during the period of the global crisis.

The history of gross external debt, mln USD



SOURCE:
National Bank
of the Republic
of Belarus

Gross external debt / GDP, %



SOURCE:
National Bank
of the Republic of Belarus,
proper calculation

Minsk

2 h

5 flights a week



Berlin

02 | CHAPTER



BELARUSIAN ECONOMY

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 48.7% 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 26.7 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, Eurasian Economic Union 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).

Budapest



2 h

3 flights a week

Minsk

5.1. FDI ON NET BASIS

FDI in Belarus (on net basis), mln USD

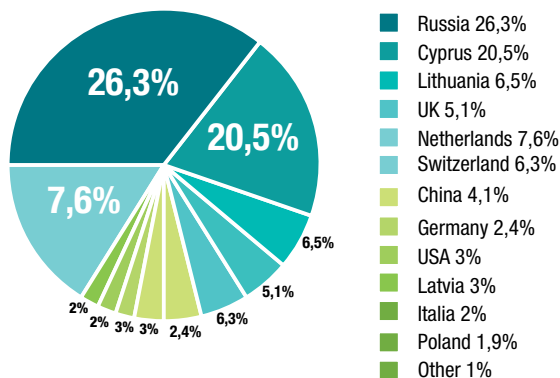


Growth of the gross volume of foreign investments registered in recent years in Belarus, and more symbolic, the increase of foreign direct investment in them. Thus, for example in 2006, this figure was 18.5%, and in 2014 the share of FDI was about 67%.

Attracting of foreign direct investment on net basis (nonregistering debts to direct investor of goods, works, services) for January-June 2015 has amounted to 1 364.2 million US dollars.

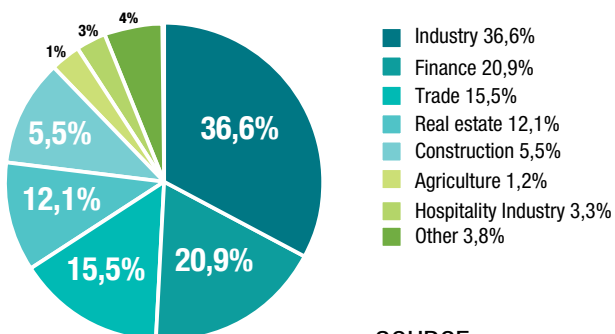
For the first half of 2015, foreign investors have invested 1.040 billion US dollars of FDI on net basis in the real sector of the economy (excluding banks), which is 10% more than in the first half of 2014.

TOP-10 donor-countries of FDI in Belarus (on net basis)



SOURCE:
National Statistical Committee
of the Republic of Belarus

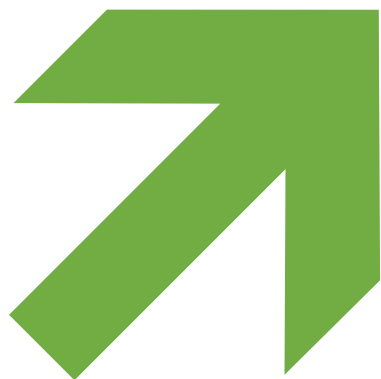
FDI in Belarus by type of economic activity (on net basis), %



SOURCE:
National Statistical Committee
of the Republic of Belarus



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BELARUSIAN ECONOMY

5.2. EURASIAN INTEGRATION

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

Within the framework of Eurasian integration the Eurasian Economic Union (EAEU) was established on the basis of the Customs Union of Russia, Kazakhstan and Belarus on 1 January 2015. The Eurasian Economic Union member states are the Republic of Armenia (since January 2, 2015), the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic (since August 12, 2015) and the Russian Federation. The Eurasian Economic Union is aimed at comprehensive modernization and cooperation, as well as enhancing competitiveness of the national economies and creating conditions for sustainable economic development of its member states and improving living standards.

A land area of the EAEU exceeds 20 million square kilometers and has a population of more than 182.1 million people.

The creation of the Union allows the member states to coordinate its industrial policies, so as not to duplicate production, but arrange manufacturing chains and supply components for joint production. The opportunities for industrial cooperation and joint investment and innovation projects have been greatly expanded. Unlike the previous stages of integration, the EAEU aims at developing unified trade, monetary and tax policies, namely, the maximum possible economic integration. The EAEU member states possess a great potential in the leading sectors of economy. The EAEU is ranked first in the world in oil and natural gas production, the second place in mineral fertilizer production and railway length, the third place in wheat and potato production, production of iron, the fourth place in electric energy and meat production, the fifth place in total length of automobile roads and steel production.

More than 40 countries have expressed interest in creating a free trade zone with the EAEU. Thus, the regimes of free trade

Geneva



3 h

3 flights a week

Minsk

of integration association with the CIS countries and Serbia have been unified. The Generalized System of Preferences for developing countries is being widely used. The decision to start negotiations with China on trade and economic cooperation has been already taken. The Agreement on Free trade zone between EAEU, its member-states and Vietnam has been signed. Joint research groups to make a feasibility study of a free trade agreement between the states – the members of the EAEU and Israel, Egypt and India – have been established.

Of course, there are other various opportunities for foreign investors:

- free movement of both domestic goods and goods from third countries within the common market of the Union,
- common customs tariff and non-tariff regulation in trade with third countries to protect the interests of domestic producers, including foreign investment enterprises,
- relief from customs duty on the importation of manufacturing equipment, raw materials to implement investment projects (if such raw materials are not produced in the member states),
- tariff preferences to the goods imported from third countries as a contribution to the statutory fund of a company,
- free access to the common large market of goods and services of the EAEU to foreign investors who invest in Belarus,
- effective logistics projects with access to the EAEU and the EU markets due to the favorable geographical location of Belarus,
- legal guarantees for investors, including the right to repatriation and use of investment income, as well as guarantee of the rights in expropriation, procedures for resolving investment disputes through arbitration and national court or the International Centre for Settlement of Investment Disputes,
- joint measures to promote exports of goods of the member states to third countries contain a number of mechanisms to support exporters, such as insurance and export crediting, international leasing, brand promotion of “the EAEU

good” and a uniform marking of the EAEU goods, exhibition and trade fair activities, advertising and image promotion activities abroad;

- implementation of the single-window system within the framework of the Union will simplify and speed up procedures of foreign trade due to effective communication between the state bodies and participants of foreign economic activity.

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.

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. 26 Belarusian diplomatic missions and consulates currently operate in the following 20 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.



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BELARUSIAN ECONOMY

Belarus is involved in the multilateral dimension of the Eastern Partnership and participates in several EU-funded regional projects. The major areas of cooperation are border management, environment, energy and transport. While presenting opportunities for regional cooperation and addressing issues of common concern, these projects sometimes fail to raise sufficient interest from Belarus, as many proposed activities are already addressed at the national level and the country is often more advanced in tackling the respective challenges than other countries in the region, particularly in the field of environment. New flagship initiatives and programmes under the Eastern Partnership's multilateral dimension, including support to the development of small- and medium-scale enterprises, disaster prevention, culture and youth, open up new avenues for Belarus from 2012 onwards to coordinate practices and policies in these new areas at the regional level.

Cross-border cooperation (CBC) programs where Belarus has been eligible to participate, such as Poland-Belarus-Ukraine, Latvia-Lithuania-Belarus and Baltic Sea Region, account for an important part of regional cooperation at the local level. From the start of these programs Belarus lagged behind in the uptake of available opportunities but over recent years increased its participation. CBC programs are increasingly seen as instruments to implement practical joint actions at the local level in different sectors, address issues of trans-boundary significance and promote people-to-people contacts. Belarus is also actively involved in non-EU integration initiatives. In particular, it has taken part in all regional integration projects covering countries of the former Soviet Union and the Commonwealth of Independent States, including the Common Economic Space, the Union State, the Customs Union and the Collective Security Treaty Organization. The intensification of these integration efforts will require additional coordination within and outside Belarus between integration and cooperation programs driven from the East and from the West.

The position of Belarus on the crisis in Ukraine also contributed to a more active dialogue between the EU and Minsk.

Helsinki



1,5 h

3 flights a week

Minsk

Belarus-EU relations were strengthened by a sharp increase in working contacts between diplomats of all ranks after the prolonged diplomatic row of 2011-2012.

To a great extent, the internal logic of Belarus-EU relations was overshadowed by the crisis in Ukraine and its implications for Eastern Europe. The crisis had a noticeable impact on Belarus's domestic and foreign policy. The position of Minsk attracted the attention and appreciation of the EU, and served as a catalyst for a more active dialogue between Belarus and the EU.

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.

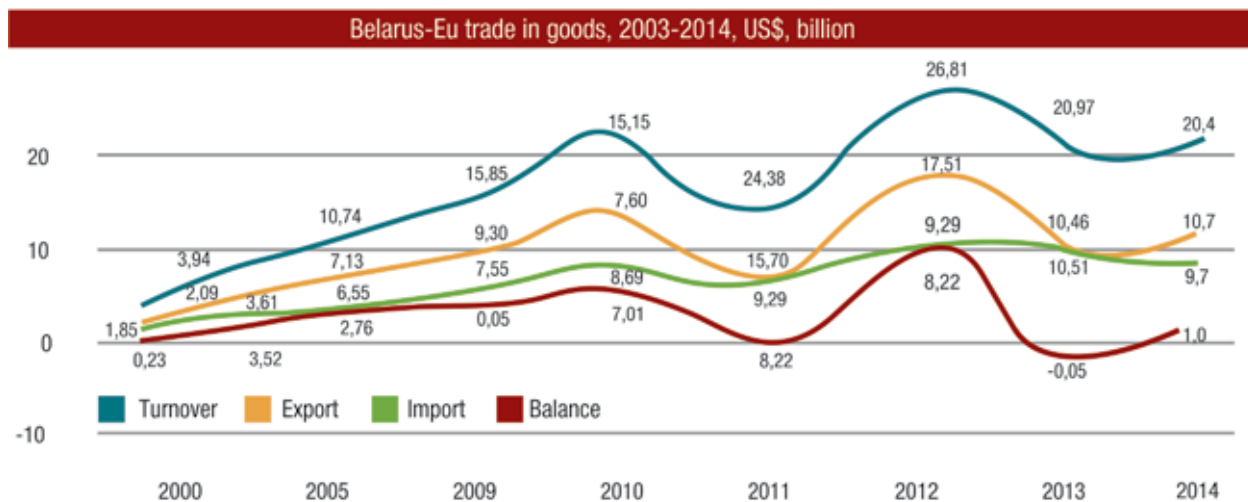
In the peak year of 2008 the turnover in trade between Belarus and the EU amounted to 23.0 billion \$, out of which 14.4 billion\$ were exports and 8.5 billion \$ – imports. The balance of trade was in favour of Belarus and amounted to 5.8 billion \$.

Trade between Belarus and the EU suffered a 30% decline in 2009-2010 as a consequence of the world economic crisis.

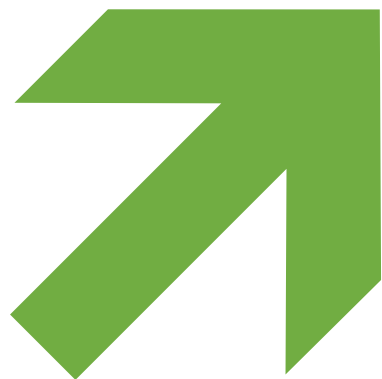
In 2010 Belarus–EU turnover accounted for \$15.1 billion \$. Belarusian exports to the EU shrank to 7.6 billion \$, down nearly 50 per cent compared to 2008. The balance of trade remained in favour of Belarus, but declined to 57.0 million \$. However, the results of trade between Belarus and the EU in 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 \$.



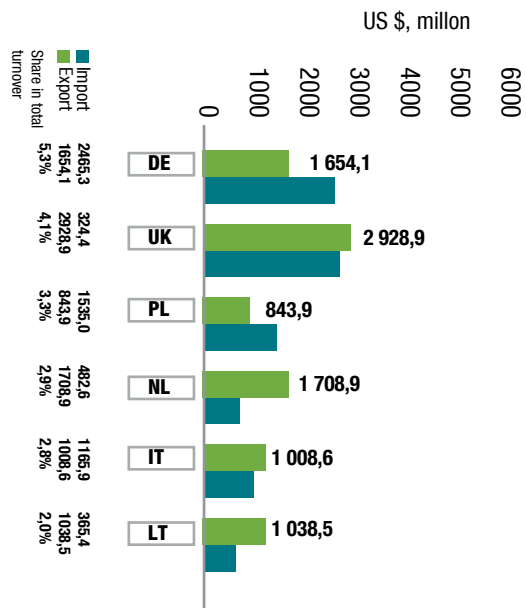
02 | CHAPTER



BELARUSIAN ECONOMY

In the first half of 2015 the turnover between Belarus and the EU reached the amount of 6.3 bln dollars that accounts for 83% of the turnover of the same period of 2014. The decrease can be explained by the fall in both export (83% to the same period of 2014) and import (81% to the same period of 2014).

The TOP-6 trade partners of Belarus within the European Union in 2014 were Germany, the United Kingdom, Poland, the Netherlands, Italy, Lithuania



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.



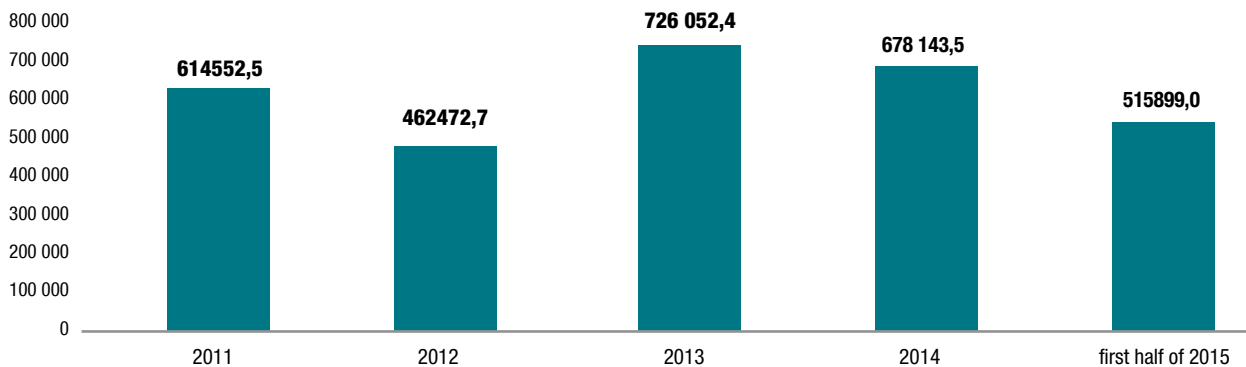
Comprehensive cooperation with the European Union contributes crucially to the country's increasingly diversified foreign trade, investment activity, modernization and growing competitiveness of its economy.

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



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BELARUSIAN ECONOMY

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 Europe an 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 high level of the Belarusian-Chinese political relations serves as a solid basis for the development of bilateral trade ties.

China is one of the most important trade and economic partners of Belarus. At the end of 2014, China was ranked fifth among the world's countries in terms of goods turnover, elev



enth – in terms of export turnover, third – in terms of import turnover to Belarus.

In January-June 2015 the trade turnover between Belarus and China (including Hong Kong, Macau and Taiwan) amounted to 1.3848 billion US dollars (94.6 percent to January-June 2014), the volume of Belarusian export was 454.8 million US dollars (135,4 percent to January-June 2014), the import was 930 000 000 US dollars (82.5 percent to January-June 2014). The balance was negative (457.2 million US dollars).

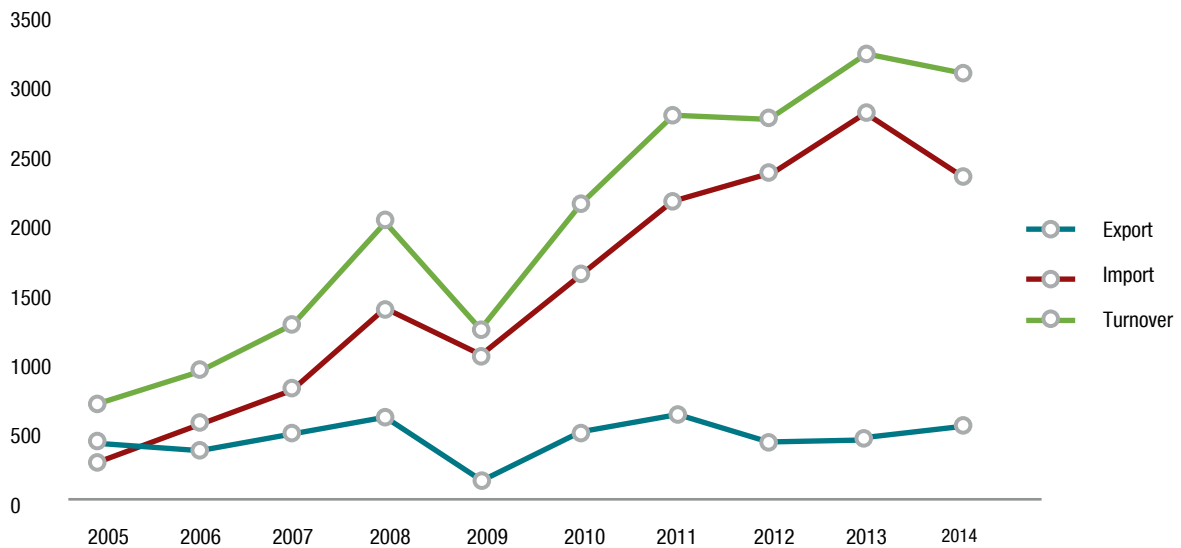
The bilateral investment cooperation is the core of the Belarusian-Chinese trade and economic relations. The volume of Chinese investments in the Belarusian economy has been constantly growing. In 2014 Belarus attracted FDI on net basis at the rate of 52.9 million US dollars, which amounted 169% of the volume of FDI attracted in 2013.

Directive No5 has been signed by the President of the Republic of Belarus for the purpose of development of the bilateral cooperation and promotion of the active implementation of Belarus-China projects. The adoption of the Directive will favor the participation of Belarus in the initiative of the Silk Road Economic Belt.

The Silk Road Economic Belt is the initiative to create a logistics infrastructure for the rapid movement of goods between Asia and the EU. It is expected that the project will involve 18 states with population exceeding 3 million.

The initiative will promote the international business networking between Eurasian countries in the field of transport, trade, investment and finance.

Belarus-China trade in goods, 2003-2014, mln USD



02 | CHAPTER

BELARUSIAN ECONOMY

The Industrial Park Great Stone should become a connecting link of the Silk Road Economic Belt.

Being the most important project of economic and trade cooperation between China and Belarus, the Industrial Park Great Stone will be one of the key points in the creation of the Silk Road Economic Belt and will play a significant role not only in China-Belarus economic cooperation, but also in a global interworking between the countries of Eurasia.

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.

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.

Paris

3 h

Minsk

6 flights a week

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.

By September, 2015 the following companies have become the residents of the Industrial Park Great Stone:

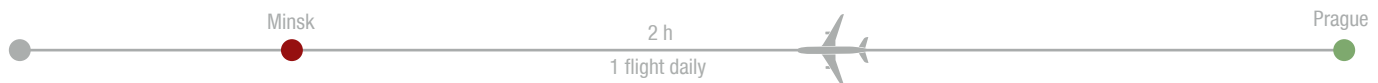
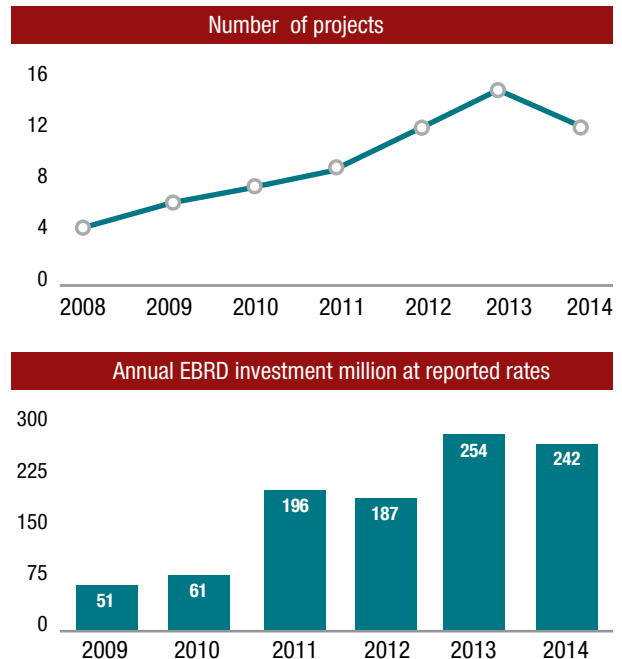
- ZTE
- Huawei
- Zoomlion Bel-Rus

- NanoPektin
- Chengdu Hsinchu Silk Road Development
- White TO Technology BLR
- China Merchants CHN-BLR Commerce and Logistics LLC “Juxin Malt Technology”

5.5. INTERNATIONAL ECONOMIC ORGANIZATIONS

During the period of its activity in Belarus, the European Bank of Reconstruction and Development (EBRD) participated in 70 projects. The cumulative EBRD investments to Belarus are estimated for 1642 mln euro. 92 % of all the investments are granted to the private sector.

Annual Bank investment and number of projects



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BELARUSIAN ECONOMY

The IFC, the investment subdivision of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Belarus became a member of the IFC in November 1992. In the early years, the IFC implemented a range of advisory services, including programs for the privatization of small businesses. In recent years, the IFC has ramped up its investments in Belarus to further support private sector development. In fiscal year 2014, IFC committed a record \$158 million in Belarus from its own account, up from \$80 million the previous year.

Selected IFC Investments in Belarus

Financial Year	Project	IFC financing (\$)	Description
2015	Alutech	15 € million	To help strengthen and diversify its business and boost Belarus country's sector growth
2015	A-100 Development Group	20 € million	For the development of four real estate properties with a total built area 80000 m2 in Minsk and Minsk region
2015	Strominvest	17 € million	For a construction of an affordable housing complex
2012	Alutech	45 € million	To support the company's growth and expansion of exports
2011	MTBank	10 \$ million	To finance SME energy efficiency projects

Riga



1 h

1 flight daily

Minsk

The IFC is also implementing several advisory programs in Belarus, focusing on the following priority areas:

- Helping the government expand the private sector and improve the investment climate through better regulatory policies;
- Enhancing the competitiveness of Belarusian food producers by improving their food safety practices;
- Advising on the corporate governance improvements for Belarusian private companies.

The IFC Advisory Services activities in Belarus are financed by the Swedish International Development Cooperation Agency (SIDA), the United States Agency for International Development (USAID), and the Ministry of Finance of Austria. In Belarus the IFC committed \$137 million to five banks as part of its Global Trade Finance Program, which broadens access to finance and reduces risks for local banks, in addition to a \$7 million loan to boost financing for small and medium enterprises.

MIGA

The Republic of Belarus became a member of the MIGA in 1992. The Agency comprises 181 countries. The MIGA is one of the autonomous international institutions of the World Bank Group. It offers political risk insurance, provides guarantees against non-commercial risks to encourage foreign direct investment in developing countries.

On March 31, 2015, the MIGA issued a guarantee of €52.3 million (\$56.1 million equivalent) covering equity investments by Raiffeisen Bank International AG (RBI) in its subsidiary in Belarus, Priorbank J.S.C. (Priorbank). The coverage is for a period of up to three years against the risk of expropriation of funds.

The MIGA's guarantee will help RBI obtain relief from the capital adequacy requirements by reducing the risk weighting for the mandatory reserves maintained by RBI's subsidiary

in Belarus. This will free up equity tied up for country risk purposes and allow RBI's subsidiary to extend more credit that will stimulate growth, generate employment, and reduce poverty in the country.

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 or 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.

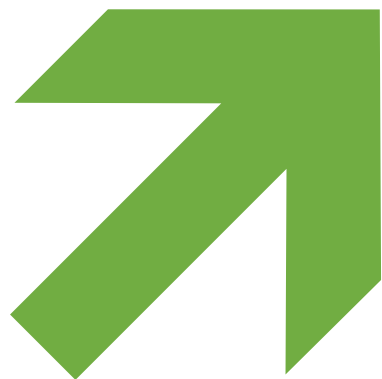
Work is in progress to hold tenders to sell shares of OJSC Gomel Building Structures Combine, BATE - the Managing Company of the Holding Company Autocomponents, Managing Company of the Holding Company Horizont, Belarusian Sea Steamship Company, Air Company Transaviaexport, Mozyr Oil Refinery, Giprosvjaz and others.

Belarus opted for targeted attraction strategic investors to the state-owned 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.



02 | CHAPTER



BELARUSIAN ECONOMY

5.7. OVERVIEW OF M&A TRANSACTION IN BELARUS

During the past decade, M&A activity in Belarus has gone through various cycles.

After an intensely active period in 2007 – 2008, when significant foreign investment arrived in the brewing industry, telecom sector, infrastructure (sale of the country's natural gas pipeline operator Beltransgaz to Russia's Gazprom), followed a period when M&A activity was rather reduced to transfer of local assets within a framework of global transactions. Of course there were exceptions, such as the acquisition of BPS-Bank by Russia's Sberbank in 2009, or the acquisition of Gomel Ice Cream Factory by Ingman Ice Cream Oy in the same year, but otherwise the number and value of deals decreased. In 2011, small-scale privatization speeded up, mainly because local and some Russian investors decided to seize the opportunity and acquire assets offered by the Government for a price in Belarusian rubles, which were rapidly devalued that year.

Starting from 2012, we noted increased interest from foreign business in joint ventures with Belarusian state owned enterprises. Various industries were in the spotlight – production of industrial equipment, machinery, components, construction materials, transport infrastructure, the pharmaceutical sector, and others. One of the reasons for this new trend could be that investors saw a joint venture as a less risky alternative to privatizing government assets, which some found problematic.

By 2014, the trend somewhat faded, although quite a few projects appeared to be successful. Generally, foreign direct investment seemed to be held back by a more complicated economic and political situation in the region. However, new trends emerged: for example, M&A involving IT assets, as Belarus' IT industry had gained some weight and became much internationalized after 2005 when the High Tech Park in Minsk was established.

Saint Petersburg



1,5 h

3 flights daily

Minsk

Also, Chinese business came on the scene as a new investor, interested both in greenfield and joint venture projects, especially those hosted by the Chinese-Belarusian Great Stone Industrial Park and related to the One Belt – One Road initiative. Besides, as Belarus' international profile rose in 2014 – 2015, Western investors again turned their eyes on a country with somewhat untapped investment potential.



03 | CHAPTER



LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6. INVESTMENT LAWS

Since independence, Belarusian investment laws have evolved considerably and now accommodate the needs of investment projects of different scales in various branches of the economy. Special regimes exist for investors in small towns and rural areas, residents of free economic zones, residents of the High Technology Park and the “Great Stone” China-Belarus Industrial Park.

6.1. GENERAL GUARANTEES

Belarusian laws set the following basic guarantees for investors:

- the right to private property and its protection without discrimination;
- protection against unlawful acts by government authorities that violate investors’ rights or cause losses, or both;
- equality of rights for national and foreign investors; free repatriation of profits; and
- protection of investments from nationalisation and requisitioning.

By law, nationalisation may be undertaken only based on public need and subject to proper compensation. Compensation for nationalised property should be paid promptly and comprise the value of nationalised property and other losses caused by nationalisation.

The law also establishes an exhaustive range of circumstances when requisitioning is possible – these mainly include emergency situations such as natural disasters, accidents, epidemics and epizootics, and also when public interest demands such measures.

Vienna



2 h

2 flights daily

Minsk

6.2. INVESTMENT AGREEMENTS

An investment agreement may be concluded directly with the Republic of Belarus in order to obtain additional guarantees and incentives from the government. The state may be represented by a ministry, a state committee, a municipal authority, or a state concern.

During 2010–2013 the popularity of investment agreements increased, and as of October 2013 almost 1,300 had been concluded, mostly via municipal authorities. After 2013, the number of new investment agreements has grown insignificantly. The government terminated some agreements where it considered that investors had materially breached the terms and conditions.

An investment agreement is used, for example, in the following cases:

- acquiring a state-owned enterprise or establishing a joint venture with a state-controlled company to secure a stable legal framework for a project;
- greenfield investment projects requiring arrangements for supplies of power and raw materials, prices for goods produced by the new enterprise (especially in the energy sector);
- large-scale development and construction projects.

The law lists the particular benefits and exemptions that may be granted under an investment agreement, including those related to acquiring title to a land plot, construction, and exemptions from certain taxes and customs duties. An investment agreement may additionally provide for waiver of the legal immunity of the Belarusian state. This is crucial for submission of disputes with the state to foreign courts and arbitral tribunals and enforcing judgments and arbitral awards outside of Belarus.

For large-scale projects an investor may be granted additional benefits, exemptions and legal guarantees not envisaged by law. These may include government obligations to provide a special tax regime, a steady supply of raw materials, and

other conditions material for the investor, to issue all permits and approvals necessary for realisation of an investment project, or to guarantee a stable legal framework for an investment project. An investment agreement with additional benefits, exemptions, and guarantees requires a decision of the Council of Ministers approved by the President. An investment agreement may also specify additional investor obligations, such as employing and training Belarusian nationals, or use of new technologies.

other conditions material for the investor, to issue all permits and approvals necessary for realisation of an investment project, or to guarantee a stable legal framework for an investment project. An investment agreement with additional benefits, exemptions, and guarantees requires a decision of the Council of Ministers approved by the President. An investment agreement may also specify additional investor obligations, such as employing and training Belarusian nationals, or use of new technologies.

6.3. CONCESSION AGREEMENTS

A concession is an agreement by the Republic of Belarus granting a temporary right to carry out a specific type of activity related to the exclusive competence of the state, or the right to use property (e.g., subsoil, waters, woods, land) owned by the state.

Concession agreements are of three types:

- full agreement (right of property to goods produced stays with the concessionaire);
- agreement on division of products (goods produced are divided between the concessionaire and the state under a procedure and in a proportion set by the agreement);
- concession agreement on services / work (the right to goods produced is transferred to the state; the concessionaire only receives remuneration for services (work) performed).

A concession agreement is concluded either by tender or following direct negotiations with the investor. Direct negotiations are

Minsk

0,5 h

1 flight daily

Vilnius



03 | CHAPTER

LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

possible for strategically significant objects or if information about the object is a state secret.

The official list of objects offered for concession as of September 2015 includes ironstone deposits, gypsum, chalk, sand and sand-gravel fields, oil shale, gas shale, clay and bentonite clay fields.

6.4. INVESTMENT ACTIVITY IN SMALL TOWNS

Since 1 July 2012, companies and individual entrepreneurs operating in all rural areas and towns¹ enjoy the following main benefits within seven years after registration:

- exemption from profit tax on sale of goods, work, services of own production;
- exemption from other taxes and duties, except for VAT, excise tax, offshore duty, land tax, ecological tax, natural resources tax, customs duties and fees, state duties, patent duties, and stamp duty;
- exemption from mandatory sale of foreign currency received from sale of goods, work, services of own production, and from leasing property; and no restrictions on insuring risks with foreign insurers.

The special legal regime does not apply to banks, insurance companies, investment funds, professional participants in the securities market, businesses operating under other preferential legal regimes (e.g. free economic zone, High Technology Park) and certain other businesses.

6.5. FREE ECONOMIC ZONES (FEZS)

At present, Belarus has six FEZs (one for each oblast (region) administrative centre, including Minsk). As of 1 July 2015, 445 companies were registered as FEZ residents.

In order to become a FEZ resident, an investor needs to meet

¹ All cities and towns except for Baranovichy, Bobruisk, Borisov, Brest, Vitebsk, Gomel, Grodno, Zhodino, Zhlobin, Lida, Minsk, Mogilev, Mozyr, Molodechno, Novopolotsk, Orsha, Pinsk, Polotsk, Rechytza, Svetlogorsk, Slutsk and Soligorsk.



1 h
3 flights daily

Minsk

Warsaw

certain criteria, such as:

- minimal investment of EUR 1 million; and
- FEZ residents should produce within FEZ territory import-substituting goods or goods oriented for export (in this case by 1 January 2017 not less than 50% of goods produced by residents registered before 15 January 2015 should be exported from Belarus or sold to other FEZ residents, and 50 % of goods officially recognized as substituting import should be sold in the domestic market). FEZ residents enjoy the following main tax benefits:
- exemption from profit tax within five years of the date of first declaration of profit; afterwards the rate of profit tax decreases by 50% (i.e. currently 9%), provided that the goods (work, services) produced are either exported from Belarus or recognised as import-substituting goods, or sold to other FEZ residents;
- supply of goods included in the list of import-substituting goods attracts a reduced 10% VAT rate; and
- buildings located within the FEZ are exempt from real estate tax.

Tax benefits apply if a FEZ resident provides the tax authority with a certificate of goods of own production issued by the Belarusian Chamber of Commerce and Industry.

The special legal regime does not apply to businesses in the area of catering, gambling, interactive electronic games, trade, and securities.

6.6. “GREAT STONE” CHINA-BELARUS INDUSTRIAL PARK

In June 2012 the China-Belarus Industrial Park (Industrial Park) was created for a term of 50 years. The Industrial Park comprises an area of over 9,000 hectares in the south-western part of Smolevichi district (close to “Minsk-2” national airport).

In the Industrial Park, a special regime applies to taxation, customs, administrative and other regulations. A “special

economic zone” legal regime is intended to foster economic trade, and investment cooperation between Belarus and China. Within the framework of the regime residents of the Industrial Park are provided with a wide range of benefits and preferences.

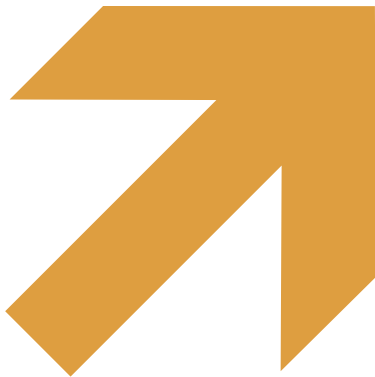
The status of Industrial Park resident can be granted to legal entities registered and implementing investment projects there. The nationality of investors is not limited to China only. The priority industries expected to develop in the Industrial Park are electronics, pharmaceuticals, biomedicine, chemicals and mechanical engineering.

Industrial Park residents enjoy the following benefits:

- for ten years from the date of registration as residents:
- exemption from income tax on proceeds from sale of goods (work, services) of own production manufactured in the Industrial Park;
- exemption from real estate tax on real estate objects located in the Industrial Park;
- exemption from land tax on land plots in the Industrial Park;
- in the following ten years the rate of income tax, real estate tax, and land tax is reduced by 50%;
- for the first five years starting from the year when profit is first declared by a resident, the income tax rate on dividends paid by an Industrial Park resident to its founder amounts to 0%;
- until 1 January 2027 the income tax rate on royalties paid by Industrial Park residents to foreign organisations amounts to 5%;
- until 1 January 2027, the personal income tax rate for employees of Industrial Park residents is 9%;
- a full VAT refund is paid for imported goods (work, services), property rights used in the design, construction, and equipping of buildings and constructions in the Industrial Park;
- until 1 January 2027, exemption from mandatory sale of foreign currency proceeds received from activities in the Industrial Park;



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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

- exemption from customs duties and VAT on goods (manufacturing equipment, components and spare parts, materials and raw materials) imported into Belarus in order to implement investment projects in the Industrial Park;
- other benefits related to social security payments for employees of Industrial Park residents, terms of processing matters involving foreign labour immigration, and others.
In addition, legal acts specify features of construction of Industrial Park objects and infrastructure, in particular:
- investors and Industrial Park residents can choose contractors to construct Industrial Park objects and suppliers of goods for building and equipping them without tenders;
- design, adjustment of project documentation, construction and commissioning of Industrial Park objects may be carried out in accordance with technical legal acts of China and other foreign countries if project documentation passes public examination in Belarus, safety of construction work and materials is guaranteed and necessary documentation is drawn up in Russian (Belarusian) or a translation of the documentation is provided;
- imported goods for the design, construction, and equipping of Industrial Park objects are not subject to mandatory conformity assessment in Belarus.

Legislation guarantees stability of the special legal regime throughout the lifetime of the Industrial Park.

Incentives and preferences of the Industrial Park do not apply to financial institutions, businesses in the area of lotteries, gambling, and interactive electronic games.

6.7. HIGH TECHNOLOGY PARK (HTP)

The HTP was created in 2005 to foster development of the IT industry. The HTP is an area in the eastern part of Minsk with a special legal regime lasting until 2020.

The status of HTP resident can be granted to a Belarusian company (including those with foreign investments) whose business is:

Amsterdam



3 h

6 flights a week

Minsk

- analysis, design, and software support for information systems;
- data processing;
- fundamental and applied research, exploratory developments in the field of natural and engineering sciences;
- technical protection of information;
- IT consulting and a range of other activities.

HTP residents enjoy the following tax benefits:

- exemption from profit tax and VAT;
- land plots within the HTP necessary for construction of buildings are exempt from land tax throughout the period of construction but no longer than three years;
- real estate on HTP territory (except leased real estate) is exempt from real estate tax; and
- dividends paid to shareholders registered in offshore zones are not subject to offshore duties.

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:

6.8. BILATERAL INVESTMENT TREATIES

Additional guarantees for foreign investors in Belarus are provided by a number of agreements on promotion and protection of investments.

Agreements on promotion and protection of investments currently bind Belarus with the following countries: Armenia, Austria, Azerbaijan, Bahrain, Bosnia and Herzegovina, Bangladesh, Bulgaria, China, Croatia, Cuba, Cyprus, the Czech Republic, North Korea, Denmark, Egypt, Estonia, Germany, Finland, India, Iran, Israel, Italy, Jordan, Cambodia, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Libya, Lithuania, Macedonia, Mexico, Moldova, Mongolia, the Netherlands, Oman, Poland, Qatar, Saudi Arabia, South Korea, Romania, Singapore, Slovakia, Slovenia, Sweden, Switzerland, Syria, Tajikistan,

Turkey, the Ukraine, United Arab Emirates, the United Kingdom, the United States of America, France, Venezuela, Vietnam, former Yugoslavia.

Belarus is also a party to a number of multilateral treaties on cross-border investment activity:

- 1965 International Convention on Settlement of Investment Disputes between States and Nationals of Other States;
- 1985 Convention Establishing the Multilateral Investment Guarantee Agency;
- 1993 Agreement on Cooperation in the Field of Investment Activity;
- 1997 Moscow Convention on Protection of Investors' Rights;
- 2010 Agreement on Trade in Services and Investments in the Member States of the Common Economic Space.

7. CORPORATE LAW: SETTING UP A BUSINESS IN BELARUS. MAIN ORGANISATIONAL AND LEGAL FORMS¹

When establishing a presence in Belarus, foreign investors choose from a variety of corporate forms. The decision on corporate presence in the form of a representative office or local legal entity is usually influenced by the regulatory framework, the nature of the project, and strategic plans.

A representative office is a popular form at the initial stage of entering the Belarusian market. Due to flexible employment, currency control, and certain other regulations, representative offices have often been used at the initial stage of business operations in Belarus and for a certain time even alongside a local legal entity.

¹ For the purpose of this and subsequent sections the amount in euro has been calculated on the basis of the following rate: EUR 1 = BYR 20,000. From 1 January 2015 the amount of the basic unit is equal to BYR 180,000. The government may adjust the amount of the basic unit from time to time depending on the economic situation in Belarus.



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At the same time, starting from 1 January 2014 a foreign company may carry out only auxiliary or preparatory activity via its Belarusian representative office. This activity includes market research, exploring investment opportunities, incorporating a legal entity, and similar.

Representative offices are accredited by the Belarusian Ministry of Foreign Affairs. A permit for establishing a foreign representative office is issued for a fixed term of three years. A foreign company pays state duty equivalent to 65 basic units (approx EUR 585) for each year of accreditation of its representative office in Belarus. The number of foreign employees of a representative office is limited to five.

Accreditation of a representative office is issued within 10 days after filing the necessary documents. Post-accreditation procedures take at least two and a half weeks and end with opening representative office bank accounts.

The main vehicles for foreign investment in Belarus are legal entities established under local law.

7.1. COMMERCIAL LEGAL ENTITY

(A) Forms and types of commercial legal entity

The main vehicles for foreign investment in Belarus are legal entities established under local law.

A Joint Stock Company (JSC) under Belarusian law is a commercial company founded by two¹ or more individuals / legal entities (shareholders). Shares in the JSC are securities issued by the company; their issue is registered with the Department of Securities of the Ministry of Finance or its relevant territorial subdivisions. Any issue / cancellation of shares or increase /

¹ From 26 January 2016 a JSC may be founded by and have one individual / legal entity as a shareholder.

decrease in their nominal value also require registration. Unless performed via the Belarusian Currency Stock Exchange, transactions with shares in a JSC must in most cases be registered with professional operators in the securities market (specialised licensed companies).

A Unitary Enterprise (UE) is a commercial company established by a single owner. All assets of a UE are considered as the property of its owner. The authorised capital of a UE is not divided into shares. A UE may be sold or otherwise assigned as a whole asset complex, including buildings, equipment, inventory, raw materials, ready made goods, claims, debts, as well as trademarks and other exclusive rights of the UE. The asset complex is considered to be a real property object. In this regard, the asset complex plus related rights and transactions must be registered with the National Cadastral Agency.

A Limited Liability Company (LLC) is the most widely used form of business. A LLC is founded by two or more individuals / legal entities (any combination is possible). Shares in a LLC are often referred to as a “participation interest” and do not require separate registration. Par value of the participation interest, number of votes and share in profit are distributed between shareholders proportionally to the amount of a shareholder’s contributions to the authorised capital of a LLC. However the shareholders may agree on a different correlation between participation interests, number of votes, and shares in profit. Shareholders in a LLC enjoy a pre-emptive right to purchase a participation interest in a LLC offered to third persons by other shareholders. If none of the shareholders exercises this right, the pre-emptive right passes to the LLC itself. Shareholders in a LLC may, in contrast to a JSC, at any time declare their exit from the LLC and after exit receive part of the property of the LLC proportional to the amount of their participation interest.

(B) Minimal amount of authorised capital and number of shareholders

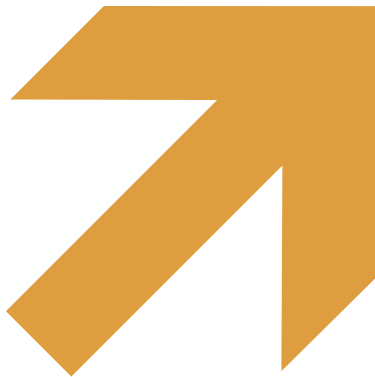
Type / form of legal entity	Minimal authorised capital	Number of shareholders / owners	Declaration and formation of authorised capital
Open joint-stock company (OJSC)	400 basic units (approx EUR 3,600)	Minimum two (to 26 January 2016) Maximum is unlimited	Authorised capital should be declared in BYR and fully paid within 12 months after state registration of the company
Unitary enterprise	BYR 1	Only one owner of assets	
Closed joint-stock company (CJSC)	100 basic units (app. EUR 900)	Minimum two (to 26 January 2016) maximum 50	
Limited liability company	BYR 2	Minimum two maximum 50	

7.2. MANAGEMENT

Unitary enterprise

The owner of a UE is the supreme management body. Exclusive competence of the owner covers introducing amendments to the UE articles, increasing or decreasing authorised capital, approving annual reports, and decisions on distribution of net profits. The owner appoints and dismisses the director of the UE or outsourced manager. An owner who is a natural person may personally perform the duties of director or outsourced manager.

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Joint-stock and limited liability companies

The structure of managing bodies of a commercial company other than a UE may include the general meeting of shareholders, the supervisory board, and the director (board of directors).

The general meeting of shareholders (Meeting) is the supreme managing body of the company. The Meeting convenes at annual and extraordinary sessions.

The Meeting can decide on issues of reorganising and liquidating the company, amending its articles, changing the amount of authorised capital, forming other managing bodies, and other strategic issues.

Establishing a Supervisory Board is mandatory only in an open JSC. The competence of the Supervisory Board usually covers general management of the company. Specific powers may be granted by the Meeting within limits defined by law. Only natural persons may be members of the Supervisory Board; they may be elected not only from the shareholders of the company.

The company may be managed by a sole and / or collective executive body (the Director / Board of Directors) but there may not be several managing directors equal in status. The company may have both a Board of Directors and a Director General. However, in that case their competence should be clearly distributed among the bodies and the Director General should be elected in the capacity of Chair of the Board of Directors. The functions of the executive body may be transferred to an outsourced organisation or manager. The executive body is in charge of managing the company's day-to-day activities.

A foreign citizen may be appointed a Director / member of the Board of Directors in any company. In this case the Director is obliged to obtain a work permit and a member of the Board

Barcelona



3,5 h

2 flights a week

Minsk

of Directors may be obliged to do so. Accordingly, a foreign person cannot be appointed as the Director of a newly established company before a permit is obtained. Therefore, an interim local Director or manager (managing the company) must be appointed after company registration and act as such until work permits are issued for foreign officers. Note that citizens of states which are parties to the Eurasian Economic Union do not need work permits by virtue of the respective international treaty.

Appointment of foreign citizens to the Supervisory Board requires no special permits or licences.

Shareholders' agreement

Amendments to the Law on Companies which become effective on 26 January 2016 regulate the concept of a shareholders' agreement and an agreement on the exercise of the rights of company shareholders (shareholders' agreement). These corporate tools aim to support shareholders in coordinating their activities as to participating in the management of a company, exercising their rights more efficiently and protecting their legitimate interests.

Under the law, a shareholders' agreement is an agreement on implementing rights certified by shares and/or on peculiarities of exercise of rights to shares. A shareholders' agreement is concluded in respect of all shares held by a party to a shareholders' agreement. The company itself cannot be a party to a shareholders' agreement, nor can all shareholders (at least one should not be a party). Breach of a shareholders' agreement cannot be a ground for invalidating decisions of the company's management bodies.

A shareholders' agreement may set the following obligations:

- to vote in a certain way at a general meeting of shareholders;
- to coordinate a voting option with other shareholders;
- to acquire or dispose of shares at a predetermined price

and/or subject to occurrence of certain circumstances;

- to refrain from disposing of shares before the occurrence of certain circumstances; and
- to perform other concerted actions associated with the management of the company, company activities, reorganisation, and liquidation of the company.

Obligations of a party to a shareholders' agreement to vote according to the instructions of the management bodies of a company in respect of which the agreement has been signed cannot be the subject of a shareholders' agreement.

Although these amendments represent a considerable step forward in corporate regulation, certain issues are not addressed in the law and would have to be developed further either by practice or through subsequent amendment of the legal framework. Such matters include, for instance, eligibility of arbitration under shareholders' agreements plus the possibility to govern a shareholders' agreement by a foreign law where one of the parties is a foreign individual or company.

Establishing a company

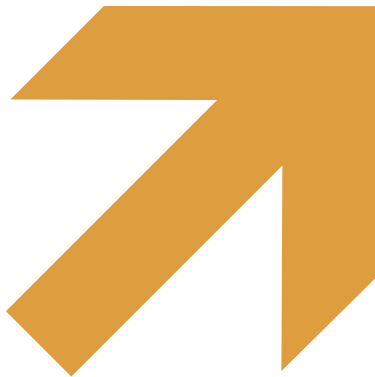
Generally, incorporation of a company includes the following steps:

- choosing a name for the company and registering this with the municipal authority;
- choosing the future location of the company ("virtual addresses" are not allowed);
- executing the articles of the company and other incorporation documents;
- filing for registration of the company.

Registration of a company is effective from the date when the documents are filed. Registration with the tax authorities, social security fund and insurance body is accomplished without involvement of the applicant during the next five business days. Other post-registration procedures include appointment



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of the executive body and the chief accountant, production of the corporate seal, and opening bank accounts.

State registration takes one working day and the whole registration process (up to opening bank accounts) should not exceed one and a half weeks.

7.3. PRIVATISATION

The type of privatisation procedure depends on objects of privatisation, which include housing, state enterprises, leased state property, and state-owned shares. Potential investors can join the privatisation of state enterprises process at various stages:

- access as new shareholders during transformation of enterprises into open joint-stock companies;
- by acquisition of state-owned shares in existing open joint-stock companies;
- by acquisition of a state or municipal unitary enterprise as an asset complex.

Lists of open-joint stock companies in which shares are available for privatisation are published on the official website of the State Property Committee (www.gki.gov.by/auction/auinf/auishares). These lists contain basic information on privatisation conditions, and sometimes a brief description of privatisation objects.

Investors are welcome to select privatisation targets from the list and send a brief letter of interest to the State Property Committee. Letters are reviewed by a special commission that decides on the feasibility of preparing a decision of the President on privatisation of shares via tender, auction or direct sale.

The investor may also send a letter of interest in respect of objects that do not appear on the State Property Committee list. Basically, any object can be sold if an investor is inter-

Belgrade



3,5 h

2 flights a week

Minsk

ested and the state finds the conditions proposed by that investor interesting.

Becoming co-founder of an open joint-stock company

State unitary enterprises which the state plans to transform into open joint stock companies are listed in official schedules.

The Belarusian State Property Committee or its local divisions, depending upon the size of the enterprise, decide on transformation of every enterprise mentioned in plans for transformation of state unitary enterprises into joint stock companies and may announce a contest to choose a private investor in addition to the state – the future shareholder of an open joint stock company. The winners are selected after the contest by a specially established commission, or may be directly negotiated if there is only one contest participant.

It is also possible to acquire a share in a transformed company at the stage of sale of shares.

Acquisition of state-owned JSC shares and enterprises as asset complexes

The State Property Committee can also itself organise an auction or contest where state-owned shares or enterprises are sold to investors. The contest or auction is announced in the Belarusian mass media and on the Committee's official website www.gki.gov.by. To participate in a contest or auction the investor applies with a set of supporting documents. Contest participants should also file a tender proposal corresponding to the terms of the contest. The winner of the contest or auction becomes either the shareholder in the company or the owner of the enterprise as an asset complex.

7.4. MERGER FILING REQUIREMENTS IN BELARUS

In Belarus merger filing is mandatory in some cases. This means that some transactions may require prior clearance by the antimonopoly authority (Department of Price Policy of the Belarus Ministry of Economy or antimonopoly and price policy departments of municipal authorities).

On 1 July 2014 a new Law on Counteracting Monopolistic Activity and Development of Competition entered into force. The Law ensures that national legislation is brought into line with agreements concluded within the Common Economic Space with Russia and Kazakhstan and provides new regulation of merger clearance.

Under the new Law the acquirer should apply to the antimonopoly authority for approval of an intended transaction with shares (participation interest) if the book value of the target's assets as of the latest reporting date exceeds 100,000 basic units (approx EUR 0.9 mln), or the amount of proceeds from sales for the previous financial year exceeds 200,000 basic units (approx EUR 1.8 mln), in the following cases:

- Transactions where the acquirer and the target operate in the same commodity market (all of the following conditions should be met):
 - a. the intended transaction relates to acquisition of shares (participation interest) in the target;
 - b. the acquirer and the target perform their activity in the same commodity market;
 - c. the acquirer is a business entity holding a dominant position in that market
- Transactions with shares (participation interest) of a target holding a dominant position (all of the following conditions should be met):
 - a. the intended transaction relates to acquisition of at least 25% of shares (participation interest) in the target;
 - b. the target is a business entity holding a dominant position in a certain commodity market;
 - c. the acquirer is a business entity or an individual.



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- Acquisition of the ability to influence decisions of a target holding a dominant position (all the following conditions should be met):
 - a. the intended transaction results in the acquirer's ability to influence decisions of the target;
 - b. the target is a business entity holding a dominant position in a certain commodity market;
 - c. the acquirer is a business entity or an individual.
- Acquisition of control over a material amount of shares (participation interest) of a target (all of the following conditions should be met):
 - a. acquisition may take any form as long as control over disposal of shares (participation interest) is gained (e.g. purchase, trust management, agency); and
 - b. the acquirer is a business entity or an individual; and
 - c. the intended transaction results in the acquirer's right to dispose of more than 25% of the shares (participation interest) in the target, if before the transaction the acquirer has no right to dispose of the target's shares (participation interest) or has the right to dispose of not more than 25% of the target's shares (participation interest), or
 - d. the intended transaction results in the acquirer's right to dispose of more than 50% of shares (participation interest) in the target, and before the transaction the acquirer has the right to dispose of more than 25% but not more than 50% of the target's shares (participation interest).
- Acquisition of the right to participate in the executive bodies, supervisory board, and other managing bodies of two or more targets by the same acquirer (all of the following conditions should be met):
 - a. the targets operate in the market for interchangeable (similar) goods;
 - b. the acquirer has an opportunity to set conditions for the targets' business activities;
 - c. the acquirer is a business entity or an individual.



The law may seem somewhat ambiguous as to the necessity to obtain approval for a foreign-to-foreign transaction, where the transaction has no direct local nexus. According to consistent practice of market players and the position thus far taken by the antimonopoly authority of Belarus, these transactions may be exempted from merger clearance in most cases. Based on analysis of current legislation and available practice one may conclude that transactions may be subject to Belarusian merger control where they may affect competition in the Belarusian market and where the transaction involves the direct or indirect transfer of shares in a Belarusian entity, or if the parties to the transaction (which are foreign entities) maintain a corporate presence in Belarus. Additional criteria are whether the foreign entity (directly or indirectly) operates in the Belarusian market and holds a significant market share (approx 15% and higher) or the transaction will lead to a significant increase in its market share.

No filing fees are payable in Belarus for examining an application or approving a transaction.

7.5. FINANCIAL REGULATION IN BELARUS

7.5.1 BANK ACCOUNTS

Opening a bank account abroad by a Belarusian company requires a permit from the National Bank of the Republic of Belarus (National Bank), subject to some exceptions. Foreign companies may open settlement accounts in Belarusian banks both in local currency and in foreign currency.

In practice, pledges are not taken over Belarusian bank accounts because of enforcement issues. Instead, direct debit arrangements are sometimes implemented over bank accounts.

7.5.2. CURRENCY OF SETTLEMENT AND CURRENCY EXCHANGE

Foreign currency can be used in settlements between Belarusian residents only in limited contexts. Settlements between a resident and non-resident may be both in local currency and in foreign currency if the National Bank has set the official exchange rate of the BYR against the other currency (the list comprises 78 foreign currencies, including USD and EUR). Certain limitations as to the use of foreign currency in settlements with foreign companies may be set in international treaties to which Belarus is a party.

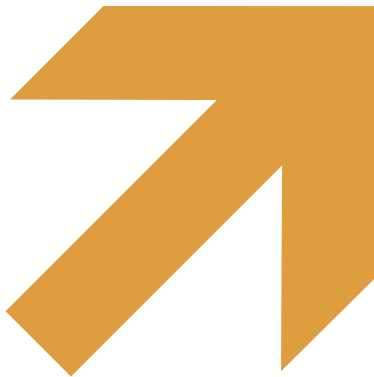
The level of freedom in local currency exchange depends on the purposes of the exchange. For example, for repatriation of an investor's proceeds local currency may be freely changed to foreign currency through the bank. A Belarusian company has to send the bank documents confirming the purpose of the exchange (e.g. loan agreement, decision of the general meeting of shareholders on profit distribution). In certain cases receiving a permit from the National Bank is required for acquisition of a foreign currency.

Being a member of the World Intellectual Property Organization (WIPO) since 1970, Belarus participates in many international IP agreements administered by the WIPO, i.e. Patent Cooperation Treaty (December 25, 1991), Paris Convention for the Protection of Industrial Property (December 25, 1991), Madrid Agreement Concerning the International Registration of Marks (December 25, 1991) and Singapore Treaty on the Law of Trademarks (May 13, 2014).

If a Belarusian company receives foreign currency, in most cases it must sell 30% of the proceeds.



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7.5.3 REQUIREMENTS FOR OBTAINING A LOAN FROM A NON-RESIDENT

A Belarusian borrower requires a permit from the National Bank to obtain a loan from a non-resident, if any of the following criteria is met:

- The interest rate for a loan in USD or EUR exceeds 14% p.a., or for a loan in other currencies the refinancing interest rate of the respective central bank plus 5% p.a.;
- the default interest rate and penalties in aggregate exceed 0.01% daily (3.65% p.a.);
- the loan will not be repaid from the borrower's account;
- the creditor is registered in an offshore zone;
- the loan is disbursed to the account of a third party;
- additional payments (e.g. commitment fee, front-end fee, prepayment fee) are set by the agreement (this criterion is not applicable to loan agreements with foreign banks).

7.6. LEGAL STATUS OF LAND AND OTHER REAL PROPERTY

Under Belarusian law real property includes land plots, buildings and structures, objects of incomplete construction, parking places and other objects closely connected with land.

7.6.1. REGISTRATION OF REAL PROPERTY

Real property objects are considered as created only after state registration.

Emergence, transfer, and termination of rights to and encumbrances on real property as well as transactions with real property require state registration (except for lease, sublease and free-usage transactions with buildings and structures and rights thereto). Real property transactions requiring state registration enter into force from the date of state registration. Failure to comply with this requirement results in invalidity of the transaction.



Registration is performed by the local agencies of the National Cadastre Agency. All information on registered real property is available in the Unified State Register of Real Property, Rights thereto and Transactions therewith (Real Estate Register). Registration data are open for public access. However, only title holders, their successors, government authorities and, in certain cases, notaries and advocates may access a list of all real property objects belonging to a particular individual or legal entity.

7.6.2 LAND PLOTS

In Belarus, use of land plots is predetermined by their specific designation (e.g. agriculture, forest and water fund, inhabited areas, infrastructure).

Designation of land plots may be changed by decision of local authorities.

Belarusian legal entities (including those with foreign investments) can hold the following rights and titles to land:

- right of property;
- right of permanent use;
- right of temporary use;
- lease (dominant title to land plots).

Land plots can be transferred into ownership of Belarusian legal entities at auction. The law sets an extensive list of exceptions when auctions may be avoided.

A right of permanent use of a land plot presumes the right to own and use a land plot for its designated purpose without time limitation. Only certain types of commercial legal entity can enjoy a right of permanent use of land plots, including:

- agricultural organisations;
- non-governmental legal entities as to land plots used for servicing real estate objects owned by the state;
- legal entities for construction and operation of apartment

houses, parking places and garages;

- legal entities as to resizing land plots granted for permanent use in connection with reconstruction of buildings located on them;
- legal entities for construction and maintenance of transport and engineering infrastructure facilities as well as roadside service facilities (except for construction of roadside service facilities in suburban areas of Minsk city and regional capitals).

The above entities can also be granted a right of temporary use of a land plot. This right can also be granted to national and foreign investors operating under concession agreements.

A land plot can be granted into temporary use for a maximum of ten years, with some exceptions. The maximum period of temporary use of a land plot allocated under a concession agreement is 99 years.

Lease agreements can be concluded for a maximum 99 years. The amount of lease payments should be set in the lease agreement.

The general rule is that land plots owned by the state are let based on the results of one of the following main types of auction:

- auction for the right to conclude an agreement for lease of a land plot;
- auction for the right to design and construct buildings.

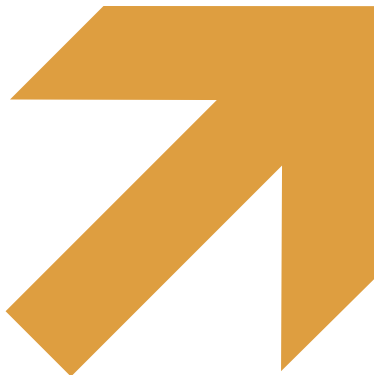
Land plots are provided under lease without holding auctions in limited cases set by law.

7.6.3 BUILDINGS AND CONSTRUCTIONS

Belarus has no codified legal act regulating the status of



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buildings and structures and construction activity. It is possible to distinguish two categories of buildings with different legal status – residential and non-residential.

Apart from buildings and constructions (permanent structures) the law treats the following as real property objects:

- isolated premises (parts of a building registered and regarded as separate real property);
- parking places (structures registered and regarded as separate real property);
- objects of incomplete construction.

Buildings and constructions can be owned by foreign legal entities and individuals.

Rent rates for lease of a state owned building should be set according to special rules established by Presidential Edict and calculated in basic lease units (BYR 120,000, i.e. approx EUR 6). Local authorities enjoy a right of first refusal to acquire certain buildings and other real estate located within their jurisdiction. The list of these buildings and other real estate is set annually by local authorities. In practice this right is rarely exercised. However, sale-purchase agreements may be registered with the Real Estate Register and ownership may be transferred to the purchaser only after the local authority decides not to exercise its right of first refusal.

7.6.4. MORTGAGE

Belarusian law allows use of real estate as collateral but some restrictions apply.

Only the following organisations are allowed to be mortgagees of land plots and pledgees of lease rights to land plots:

- banks with a licence to place funds attracted in their own name and for their own account on condition of recurrence, interest payment, and maturity;
- the IFC, EBRD and the Eurasian Development Bank, if the



- mortgage of a land plot (pledge of lease right to a land plot) secures repayment of a loan to a Belarusian resident;
- the China Development Bank and the Export-Import Bank of China in respect of land plots located on the territory of the “Great Stone” China-Belarus Industrial Park if the mortgage of a land plot (pledge of lease right to a land plot) secures repayment of a loan to Industrial Park Development Company CJSC.

Only owners and tenants of a land plot may act as mortgagors (i.e. persons holding land plots under the title of permanent or temporary use cannot mortgage land plots or rights thereto).

Mortgage of buildings as well as isolated premises located on an owned land plot is allowed only on simultaneous mortgage of the underlying land plot. Mortgage of buildings as well as isolated premises located on a leased land plot is allowed on simultaneous mortgage of the right of lease to the underlying land plot if payment for the right to conclude the lease agreement was made by the tenant. If payment was not made the building or the isolated premises may be mortgaged without simultaneous pledge of lease rights to land plots. Consequently, buildings or isolated premises located on an owned or leased land plot (provided that payment for the right to conclude the lease agreement has been made) may secure only repayment of bank loans and loan agreements with the IFC, EBRD, the Eurasian Development Bank as well as with the China Development Bank and the Export-Import Bank of China (for land plots located on the territory of the “Great Stone” China-Belarus Industrial Park).

Types of liability that may be secured by mortgage of buildings or isolated premises located on land plots held under the title of temporary or permanent use are not limited. The same relates to buildings or isolated premises located on leased land plots for which payment for the right to conclude the lease agreement has not been made.

Mortgage of real estate requires registration with the Real Estate Register.

7.7. INTELLECTUAL PROPERTY PROTECTION

Besides having fairly well developed national legislation on protection of intellectual property, Belarus is a party to many international IP agreements administered by the World Intellectual Property Organisation (**WIPO**).

Belarus is also a party to several regional IP agreements (e.g. Eurasian Patent Cooperation within the framework of the CIS), and several bilateral cooperation agreements in the field of industrial property protection.

7.7.1. INTELLECTUAL PROPERTY (IP)

Belarusian laws provide for the following types of IP:

- scientific, literary and artistic works subject to copyright protection (including software);
- performances, phonograms, transmissions of broadcasting organisations (related rights);
- trademarks and service marks;
- geographical indications (appellations of origin and indications of source);
- corporate names;
- inventions, utility models, industrial designs;
- topologies of integrated circuits;
- selection achievements (plant varieties and animal breeds); and
- production secrets (know-how).

Copyright and related rights obtain legal protection due to the fact of their creation. No formalities are required to enable their protection.

Trademarks are protected in Belarus only if registered through international or national procedures.

Corporate names of Belarusian companies are protected on the basis of registration. Trade names of foreign companies are protected in Belarus without formalities if the trade name



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of the foreign company is registered in a member state of the Paris Convention or is generally acknowledged therein.

Appellations of origin are protected in Belarus on the basis of national registration while indications of source are protected on the basis of use.

The right to protect know-how from unlawful use arises irrespective of execution of formalities (e.g. registration). However, know-how is protected only if all the following criteria are met: the information is of commercial value due to its confidentiality, it is not freely accessible on a lawful ground, and the owner of the information takes certain measures established by law to protect its confidentiality (e.g. issues internal documentation, applies technological and/or organisational means). Under Belarusian law know-how can be neither assigned nor licensed. However, the owner of know-how can provide access to know-how under special agreement.

Rights to inventions, utility models, industrial designs and selection achievements are protected only if patents are granted for them.

Legal protection of topologies of integrated circuits depends on registration with the patent authority. Registration of trademarks, appellations of origin and topologies of integrated circuits is confirmed by certificates.

7.7.2. PATENT AUTHORITY AND REGISTRATION OF AGREEMENTS

The patent authority of Belarus is the National Center of Intellectual Property (NCIP). The official NCIP website is www.belgospatent.org.by. It contains databases of inventions, utility models, industrial designs, selection achievements, topologies of integrated circuits and trademarks registered in Belarus. These databases are updated every month with new registrations and intended for guidance only. Official data on applications filed (for some types of IP), registered IP, protection documents effective

Kiev



1 h

2 flights daily

Minsk

in Belarus, as well as changes made to state registers of industrial property are published in official NCIP editions. Upon request the NCIP prepares extracts regarding any IP objects, or issues information on agreements registered for a certain company.

Licences, assignments, pledges, and other agreements with regard to industrial property rights must be registered with the patent authority in order to be considered valid, and the same applies to changes to and termination of these agreements.

7.8. EMPLOYMENT SPECIFICS

Employment has a number of peculiarities in Belarus, including a dual agreement system and certain issues pertaining to employment of management.

7.8.1. EMPLOYMENT AGREEMENT

Employment has a number of peculiarities in Belarus, including a dual agreement system and certain issues pertaining to employment of management.

Employment relations in Belarus should be formalised by written employment agreement. The most common type of employment agreement in Belarus is the employment contract.

An employment contract is a highly specific type of employment agreement which can be concluded for a minimum of one year and a maximum of five years. It is more employer-friendly and is widely used in Belarus for several reasons, including the following:

- the contract provides additional grounds for terminating employment relations upon the initiative of the employer;
- the contract cannot be terminated solely upon the employee's initiative, except for material breach by the employer or a good reason (moving to a different city and the like).

7.8.2. TERMINATION OF EMPLOYMENT

All grounds for termination of employment relations are set by law. The parties cannot set additional grounds for termination in an employment agreement.

7.8.3. NON-COMPETITION AND CONFIDENTIALITY

If performance of job duties requires access to trade secrets of the company the employer may require the employee to sign a confidentiality commitment: refusal to do so justifies termination of employment at the employer's discretion. An employee's signature to a confidentiality commitment enables the employer to claim loss of profit in case of disclosure.

Belarusian laws do not explicitly forbid a clause prohibiting competition (e.g., prohibition of employment in the same business or in a particular organisation after leaving the company). However, it is not widely applied in Belarus because its enforceability is disputable. Arguably, restriction of employment may conflict with general principles laid down in the Belarus Labour Code and Constitution.

7.8.4. EMPLOYMENT OF A DIRECTOR

A director's rights and obligations are set in an employment agreement and in the articles of the company. From 25 July 2014, a director of a privately-owned company or a company with a state share of less than 50% can combine their job with a job as a paid employee of another company. Directors of state-owned companies and companies with a state share of 50% or more cannot combine jobs, except for teaching, scientific work, art, and medical practice.

A director cannot participate in the supervisory and controlling bodies of the company. A director bears full material liability for real damage caused to company property.

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For additional information about employment of the director please see subparagraph 7.2 above.

7.8.5. OTHER FORMS

A natural person may work on the basis of a civil contract. In that case the contractor is not included in the company's staff list and may independently manage their work. The company should organise labour protection of the contractor as well as paying social security fees.

7.9. DISPUTE RESOLUTION

Following the judicial system reform in 2014 a unified system of common and commercial courts headed by the Supreme Court has evolved in Belarus. The Supreme Court is the sole

- recognition and enforcement is provided by Belarusian law or by an international treaty to which the Republic of Belarus is a party, or
- reciprocity in recognition and enforcement of judgments exists between Belarus and the country whose court issued the judgment.

Under international treaties judgments of the courts of the following countries may be recognized and enforced in Belarus: Armenia, Azerbaijan, Bulgaria, China, Cuba, Cyprus, the Czech Republic, Finland, Georgia, Hungary, Iran, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Russia, Serbia, Slovakia, Syria, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan, Vietnam.

The existence of reciprocity with other countries can be checked through diplomatic channels.

Due to an increase of contentious matters in the area of intellectual property and information technology, in May 2015 the IT & IP Arbitration Court at the Association of Information Technology



Companies began operation. The new tribunal considers disputes in the sphere of information technology and intellectual property, if an arbitration agreement exists between the parties. It may not consider disputes on which Belarusian state courts hold exclusive jurisdiction. More information may be found at www.akit.by.

8. TAXES

8.1. CORPORATE PROFIT TAX (CPT)

The standard rate is 18 %.

Reduced rates are 12 % (for dividends); 10 % (for residents of science and technology parks; for producers of laser and optical equipment; for sales of self-produced high-tech goods); and 5 % (for members of the Science and Technology Association established by the Belarusian State University). For free economic zones the CPT rate is 50% of the standard tax rate (but not more than 12 %) if certain specific requirements are met. Banks and insurance companies pay CPT at a rate of 25 %.

8.2. WITHHOLDING TAX ON THE INCOME OF FOREIGN LEGAL ENTITIES NOT ENGAGED IN COMMERCIAL ACTIVITIES IN BELARUS THROUGH A PERMANENT ESTABLISHMENT (WHT)

Under Belarusian law withholding tax is applied to the taxable income of foreign entities received in Belarus at the following rates:

- 5 % for dividends, interest, royalties and licenses from HTP residents;
- 6 % for cross-border transportation, forwarding and chartering fees;
- 10 % for interest income retained from debt obligations;
- 12 % for dividends and disposal of shares and stakes in companies;
- 15 % for other types of income under the list stipulated by the Tax Code.

WHT rates may be reduced by Double Taxation Treaties (DTTs).

WHT in Belarus is withheld by legal entities, individual entrepreneurs and individuals (for several types of income) accruing and (or) paying out a foreign entity's income (the "tax agent").

8.3. PERSONAL INCOME TAX (PIT)

The standard rate is 13 %.

A rate of 16 % applies to the income of individual entrepreneurs and applies to income drawn from commercial and public notary practice activities and advocacy.

A rate of 9 % applies to the income of individuals (except for employees who provide maintenance and security services with respect to buildings, premises, and land plots) drawn from residents of a High Technology Park under employment contracts as well as income earned by residents of a High Technology Park who are individual entrepreneurs.

8.4. SOCIAL SECURITY FUND CONTRIBUTIONS (SSFC)

Social contributions are paid by employers, employees, and individuals who pay SSFC independently. Foreign citizens who work in Belarus pay SSFC on a voluntary basis.

The employee rate is 1 % of gross salary. For employers generally a rate of 34 % on top of gross salary is applicable.

8.5. VAT

The standard VAT rate is 20 %. Reduced rates are::

- 0 % e.g. for goods subject to export customs procedure;
- 10 % e.g. for crop and farm production;
- 9.09 % or 16.67 % e.g. for goods sold at a regulated retail price.



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No special registration for VAT purposes is required. VAT recovery is delayed for 90 days for goods imported from non-Eurasian Economic Union countries and sold without change.

8.6. REAL ESTATE (RET)

The standard RET rate is 1 % for buildings and constructions and 2 % for unfinished buildings and constructions. The tax rate for individuals and individual entrepreneurs is 0.1 % a year.

Under the Tax Code, real estate tax rates can be increased or decreased by local authorities up to twofold for certain categories of taxpayers.

8.7. LAND TAX

The tax rate for land depends on the cadastral valuation of a land plot. Land tax is established in the form of annual fixed payments for each hectare. Local authorities can increase or decrease the tax rate not more than twofold.

8.8. OFFSHORE LEVY

Payments to tax havens by Belarus entities are the base for calculation of the offshore levy.

The rate of the offshore levy is 15%.

The following transactions are subject to taxation:

- transfer of funds by residents of Belarus to non-residents of Belarus registered in offshore zones, or to other persons under obligations to non-residents mentioned above, or to accounts opened in offshore zones;

- settlement of a non-cash obligation to a non-resident of Belarus registered in an offshore zone;
- transfer of property rights or obligations due to a change of parties' obligation when they comprise a resident of Belarus and a non-resident of Belarus registered in an offshore zone.

8.9. ECOLOGICAL TAX AND NATURAL RESOURCES TAX

Ecological tax is imposed on the volume of waste, emissions, waste-water discharges and ozone-depleting substances im-

ported to Belarus. Ecological tax rates vary and are stipulated by the Tax Code.

Natural resources tax is imposed on the volume of natural resources (e.g. water, oil, sand, clay, salt) used. Natural resources tax rates vary and are stipulated by the Tax Code.

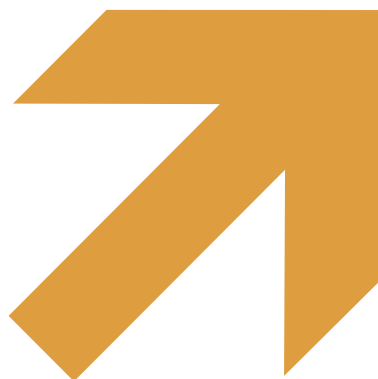
8.10. TAXATION TREATIES

In 2015 Belarus has effective DTTs with 66 countries.

Armenia	Hungary	Moldova	Sri Lanka
Austria	India	Mongolia	Sweden
Azerbaijan	Iran	Lithuania	Switzerland
Bahrain	Ireland	Netherlands	Syria
Bangladesh	Israel	Oman	Tajikistan
Belgium	Italy	Pakistan	Thailand
Bulgaria	Japan	Poland	Turkey
China	Kazakhstan	Qatar	Turkmenistan
Croatia	North Korea	Romania	Venezuela
Cyprus	South Korea	Russian Federation	Vietnam
Czech Republic	Kuwait	Saudi Arabia	UAE
Denmark	Kyrgyzstan	Serbia	Ukraine
Egypt	Laos	Singapore	UK
Estonia	Latvia	Slovakia	USA
Finland	Lebanon	Slovenia	Uzbekistan
France	Macedonia	South Africa	
Germany	Malaysia	Spain	



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