

# Invest in Belarus Guidebook

Investment opportunities,  
legal and economic environment

PREPARED BY

 NATIONAL AGENCY  
OF INVESTMENT  
AND PRIVATIZATION

**SORAINEN**



In today's dynamically changing world, each and every state's success in promotion of foreign direct investment is largely determined by its ability to not only perceive present, but also envisage future needs of businesses and, consequently, act proactively while creating a favorable investment climate.

Drawing on its key competitive advantages – unique location, considerable human, industrial and logistical potential, and forward-looking legislation – Belarus today continues to consistently enhance conditions for doing business, adequately adjusting to new realities and successfully implementing digital transformation of the national economy.

Stable domestic political situation, high level of public security, coherent and constantly improving legal regulations of investment activity aimed to mitigate risks and lower costs for investors, diversity of preferential regimes and individual approach make up just a small part of privileges every single investor

may reckon on when considering prospects of opening business in our country.

National Agency of Investment and Privatization serves as a reliable and competent partner for businesses through all stages of investment projects realization in Belarus, employing its long-time experience and expertise while rendering free-of-charge professional consultative, communication and organizational assistance to investors.

This edition encompasses the most up-to-date information on the top priority sectors for FDI, opportunities available within various preferential regimes, judicial aspects of investments, Belarus's primary avenues of multi-faceted international cooperation and even more.

I am confident, inside You will find a complete answer to the question "Why more and more investors today opt for Belarus?".

**Aleksandr Chervyakov**  
**Minister of Economy,**  
**Republic of Belarus**

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DEAR READER,

According to a report published by the World Bank, Belarus currently ranks 49th on its Ease of Doing Business scale (1 position up). Belarus has progress in such areas as “Getting Credit” (5 positions up) and “Trading across borders” (5 positions up). In our opinion, this reflects Belarus Government’s consistent efforts to stay competitive in attracting investors, collaborating with partners, improving its legal framework for business, and modernizing the economy.

After an almost three year recession, the national economy is growing again. Some of the growth drivers are breakthrough projects such as High Tech Park (already nicknamed by some as “Silicon Valley of the Eastern Europe) and Belarus Industrial Park “Great Stone“

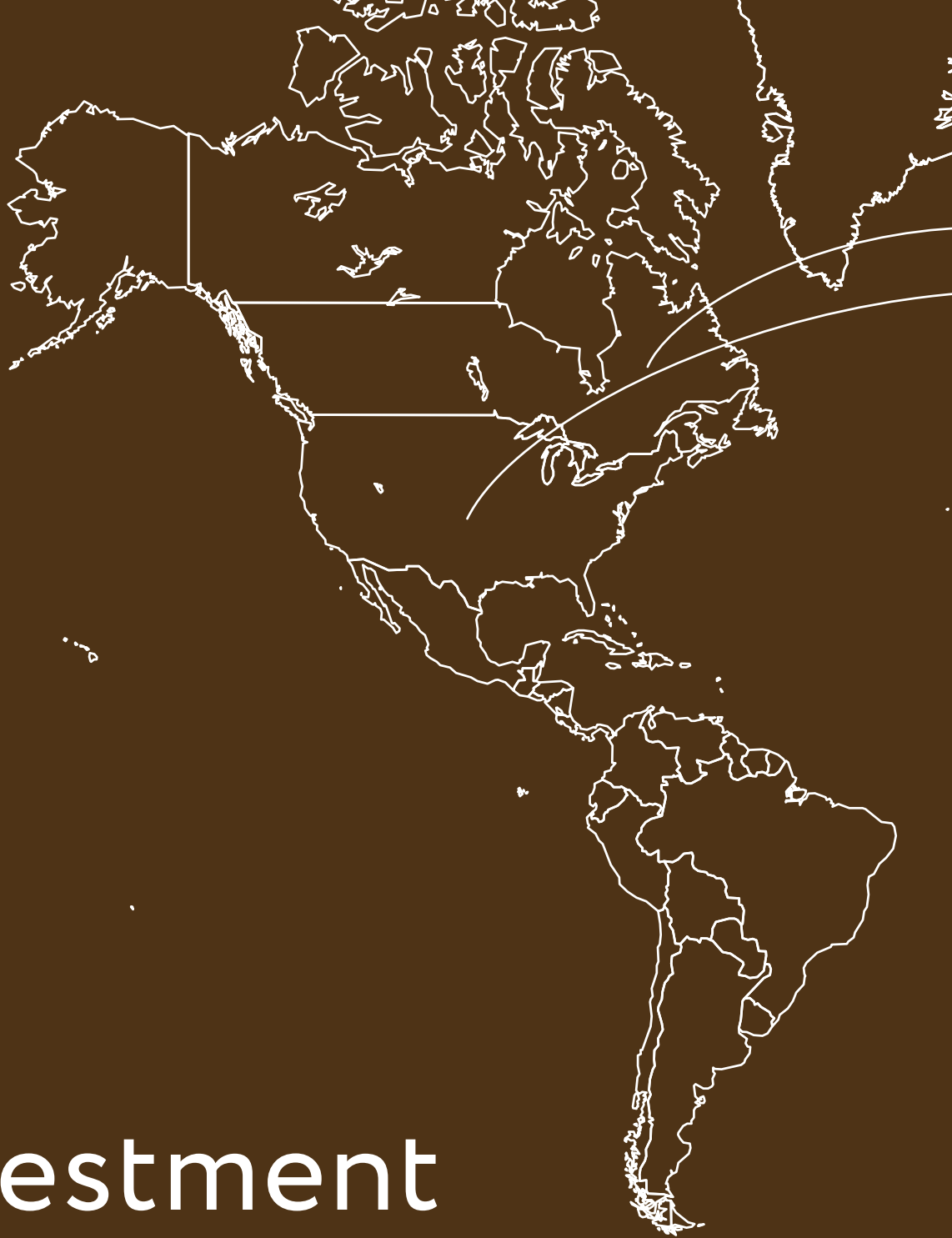


growth of the number of residents from many parts of the world and a noticeable boost in revenues.

In addition, Belarus has become one of the first countries in the world to create a legal framework for cryptocurrencies and initial coin offerings. Our jurisdiction has never offered more exciting opportunities to business than before.

Kind regards,

Maksim Salahub,  
Partner at Sorainen



# Investment Opportunities



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# 1. BELARUS IN WORLD RANKINGS: STRONG POTENTIAL, GOOD PERFORMANCE

Since 1995, Belarus has been constantly improving its Human Development Index rank. According to the 2019 Human Development Report, Belarus is categorized as the country with the very high human development level.



## In the Doing Business 2020 ranking, Belarus occupies 49th place.

According to the data of the World Bank, the Republic of Belarus has maintained its leading position in the total number of reforms aimed at improving business climate. In the ranking of Doing Business 2020, the Republic is on the 49th position among 190 countries. In the Starting a Business ranking Belarus occupies the 30th position. Belarus made starting a business easier by abolishing the requirement to register the book of Registry of Inspections, and allowing its purchase within six months of incorporation. By the Dealing with Construction Permits ranking, Belarus is on the 48th position. Belarus made dealing with construction permits easier by streamlining the process at the one-stop shop.

In January 2018, the Organization for Economic Cooperation and Development (OECD) improved the position of Belarus in the classification of country risks and moved the country from the 7th to the 6th category. Currently Belarus maintains its position. The improvement in the OECD risk rating position reduced the cost of credit resources provided by foreign banks to Belarusian importing enterprises and became a positive moment in building the country's credit image.

Standard & Poor's has upgraded Belarus' long-term sovereign credit rating for foreign currency liabilities to "B" level (stable outlook). Moody's Investors Service has upgraded Belarus' long-term sovereign credit rating to "B3" (stable outlook). The ratings have been changed due to the improved economic growth and external financing.

Fitch Ratings has upgraded Belarus' long-term sovereign credit rating for foreign and domestic currency liabilities to "B" level (stable outlook).

Near-term external financing risks have declined due to the preemptive government borrowings, and due to an increase in international reserves. The rating also takes into account such factors as the improved terms of trade, the risks of the financial sector, the state of the government budget and the economic growth prospects.

Estimations of international rating agencies reveal the strengthening of the financial reputation of the Republic of Belarus.

Belarus also ranked 66th among 180 countries in the Transparency International Corruption Perceptions Index for 2019.

Belarus has been ranked 72nd in the world and 37th in Europe in the Global Innovation Index (GII) 2019 prepared jointly by Cornell University, INSEAD Business School and the World Intellectual Property Organization (WIPO). The country has climbed 14 places up since the last year, taking its place between Brunei and Argentina. One of the main drivers that improved Belarus' ranking in the GI is mobile app development. The country is now ranked 6th worldwide in the «Mobile app creation» indicator.

It should be noted, that Belarus is ranked 23rd in the world in the percentage of white collar (intellectual) workers to the total number of employees. The country is also No. 1 in the world in the proportion of females with an advanced academic degree to the total number of people employed in the economy.

According to the Human Development Report 2019, Belarus ranks 50th out of 189 countries in the Human Development Index. Belarus is included to the very high human development category.

Belarus ranks 48th out of 149 in the Social Progress Index 2019. Belarus has improved its position in comparison with the previous results. Belarus has the highest scores on the following components of social progress: access to basic knowledge, nutrition and basic medical care, water and sanitation, shelter, personal safety.

According to the ranking of the International Telecommunication Union, published in 2017, the Republic of Belarus occupies 32nd place out of 176 countries in the Information and Communication Technology Index (Belarus is ahead of Russia and Kazakhstan).

According to the UN E-Government Survey 2018 "E-Government in Support of Sustainable Development", the Republic of Belarus ranked 38th in the E-government Readiness Index out of 193 countries, having moved 11 positions up as compared with the 2016. It was the first time the country entered the top-40 list. The Republic of Belarus was the first country in the CIS to complete the transition to digital broadcasting.

8 IT-companies with development offices in Belarus were included in "The 2020 Global Outsourcing 100" rating. This is a rating of the 100 best outsourcers in the world according to the International Association of Outsourcing Professionals (IAOP). The Belarus-based companies included in the top-100 best outsourcers were as follows: A1QA, Bell Integrator, Ciklum, IBA Group, Intetics, Itransition, iTechArt Group, Qulix. The main selection criteria were a company's profitability, team growth, the best projects, customer recommendations and the level of corporate social responsibility and innovation.

According to the rating of European Cities and Regions of the Future 2020-2021, compiled by fDi Intelligence (division of The Financial Times), Minsk entered the top-10 Best Cities for Cost Effectiveness in Europe, taking the second place after Tbilisi. The European Cities and Regions of the Future 2020-2021 rating is an analysis of European cities in terms of business and investment development.

The research was carried out by the leading experts of the Foreign Direct Investment division and was based on the analysis of the economic potential, human resources, level of costs of doing business, living standards, quality of infrastructure, ease of doing business, strategy to attract foreign direct investment.

DOING BUSINESS 2020		GLOBAL INNOVATION INDEX 2019		HUMAN DEVELOPMENT REPORT		THE SOCIAL PROGRESS INDEX 2019	
Country	DB index ranking	Country	Index ranking	Country	Index ranking	Country	Index ranking
New Zealand	1	Switzerland	1	Norway	1	Norway	1
Lithuania	11	Poland	39	Poland	32	Lithuania	32
Kazakhstan	25	Russia	46	Russia	49	Poland	33
Russia	28	Ukraine	47	Belarus	50	Belarus	48
Belarus	49	Belarus	72	Kazakhstan	50	Russia	62
Ukraine	64	Kazakhstan	79	Turkey	59	Kazakhstan	69
Uzbekistan	69	Azerbaijan	84	Armenia	81	Ukraine	80
Kyrgyz Republic	80	Kyrgyz Republic	90	Ukraine	88	Kyrgyz Republic	81

## 2. PROMISING SECTORS FOR INVESTMENT

Resolution of the Council of Ministers No. 372 as of 12 May, 2016,  
determines a list of priority sectors of economy for investment:



information and  
communications  
technologies



sugar and  
confectionery industry



railway and  
air transport



construction, reconstruction  
and equipping checkpoints  
across the state border  
Belarus



production of electrical,  
optical-mechanical,  
instrument-making commodities



leather and footwear  
industry



metallurgy



grain processing industry



recycling of secondary  
material resources



construction, reconstruction and  
equipping of checkpoints across  
the state border of Belarus



textile industry



canning industry



culture



public service activities



oil and fat industry



creation and  
development of the  
logistics system



mechanical engineering



## 2.1 PHARMACEUTICAL INDUSTRY

Manufacturing of pharmaceutical products 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).

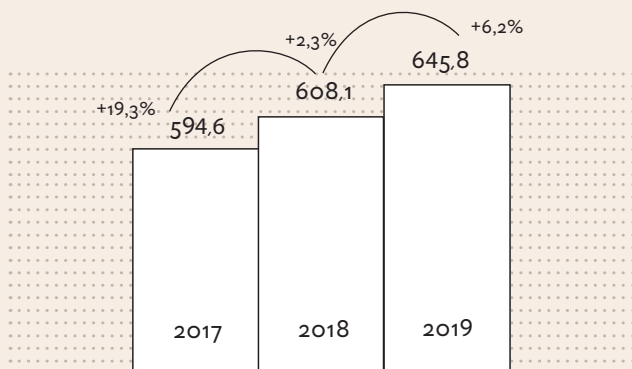
### HIGH-LEVEL HR POTENTIAL

Pharmaceutical industry of the Republic of Belarus employs more than 8 thsd. professionals of different qualification levels possessing a wide range of skills. Each year, they are joined by 500 graduates. This creates a stable basis for a personnel inflow into new enterprises and segments of the industry.

### GOVERNMENTAL SUPPORT OF INVESTMENT PROJECTS IN THE PHARMACEUTICAL INDUSTRY

Belarus has adopted a comprehensive state program for the development of the pharmaceutical industry. According to the program, the share of locally produced medicines consumed in the country should reach 55% by the end of 2020 (in 2019, this indicator amounted to 50.2% in monetary terms).

PHARMACEUTICAL PRODUCTION IN BELARUS,  
USD MLN



As of January 2020, the amount of medicines produced in Belarus amounted to 1,670 items (in 2018 - 550 items)

The objectives of the Belarusian pharmaceutical industry for the period up to the end of 2020 are as follows:

- 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, which will meet international quality standards,
- cooperation with leading pharmaceutical manufacturers through the organization of joint ventures and foreign enterprises.

In general, over the past few years, a positive growth trend has been observed in the pharmaceutical market of Belarus, significantly exceeding GDP growth.

The production of pharmaceutical products over the past four years increased by 29.5% and amounted to USD 645.8 mln.

In 2019, production increased by 6.2% compared to 2018.

The geographical structure of pharmaceutical products import to Belarus is quite diversified. Thus, the largest shares come from Russia (14.0%), Germany (12.4%), France (5.4%), India (4.7%), Slovenia (3.9%) and the USA (3.5%).

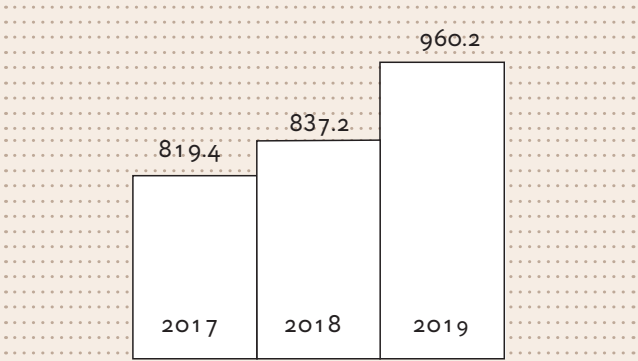
SHARE OF IMPORTED AND DOMESTIC DRUGS (IN VALUE TERMS, %)

51,9	53,7	53,5	50,2	55,0*
2016	2017	2018	2019	2020

\*planned

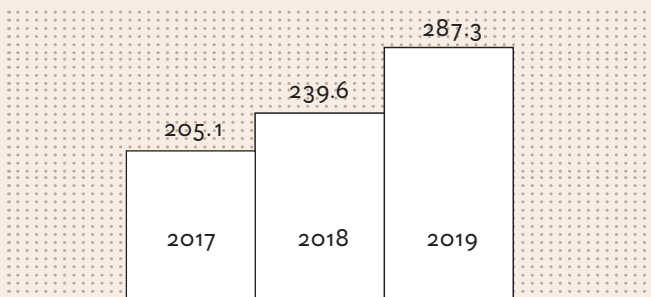
- Share of domestic drugs
- Share of imported drugs

IMPORT OF PHARMACEUTICAL PRODUCTION TO BELARUS,USD MLN





### EXPORT OF PHARMACEUTICAL PRODUCTS FROM BELARUS , USD MLN



Source: National Statistical Committee of the Republic of Belarus

In order to reduce dependence on import and increase domestic production, the Republic of Belarus adopted the "State Program on development of import-substituting production of pharmaceuticals, medicines and diagnostic tools for 2010-2014 and for the period until 2020".

According to this program, the share of domestic drugs in the Belarusian pharmaceutical market should reach 55% in value terms by the end of 2020. It should be noted that in 2019 Belarusian drugs occupied 50.2 % of the market in value terms.

Implementation of the import substitution program in the pharmaceutical industry is to a great extent dependent on the availability of raw materials and active pharmaceutical ingredients, which, however, are not produced in Belarus. Thus, about 60 substances for the production of medicines are synthesized in the country and more than 800 are imported. Generally, substances are bought in countries with significant competitive advantages in the production costs, namely India, Pakistan and China.

Since the production of substances is very expensive and based on scale effect, and also has low marginality, it is more appropriate to produce finished pharmaceutical products (FPPs) in Belarus.

In 2019, growth in the export of pharmaceuticals and pharmaceutical products compared to 2018 amounted to 20.7%. The geographical structure of export reveals the significant impact of the CIS countries. More than 70% of export goes the Russia.

The mass segment and low prices are the main competitive advantages of Belarusian medicines producers.

Belarus has a high level of integration into the international system of pre-production testing and medicines quality control.

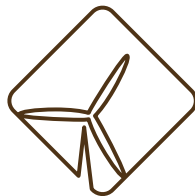




## 2.2 RENEWABLE ENERGY

### HIGH RESOURCE POTENTIAL

The Republic of Belarus has at its disposal a significant resource potential for development of renewable energy sources (thereafter – RES).



- Belarus has sufficient wind energy resources for the development of wind energy. The average annual background wind speed in the country is about 3.5 m/s at an altitude of 10 m. At the altitudes of 80-1010 m from the surface of the earth wind speed reaches average values from 5.2 to 5.7 m/s. According to the research findings, 22 regions of the country are the most promising for the development of wind energy. 1,840 places for potential wind farms with possible energy potential of 1,600 MW were identified in Belarus

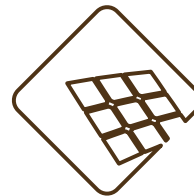


- As for hydropower, the economically feasible potential for using hydropower resources is concentrated in Grodno, Vitebsk and Mogilev regions on the river basins of Neman, Western Dvina and Dnepr

According to the country's energy security concept, the share of primary energy production from RES should reach 8% in the gross fuel and energy resources consumption by the end of 2030, and 9% by the end of 2035.



- Belarus has large economic potential for the use of biogas and biomass, as well the availability of the necessary raw materials (municipal solid waste, agricultural waste, wastewater treatment facilities, etc.)



- In Belarus, the annual arrival of solar radiation per unit of area is comparable with the figures for Germany, Poland and other countries where this type of energy is developing rapidly



- Wood fuel is still remaining the most used type of RES. Illiquid wood, logging and woodworking ] waste could be used most effectively by reprocessing into wood chips or pellets

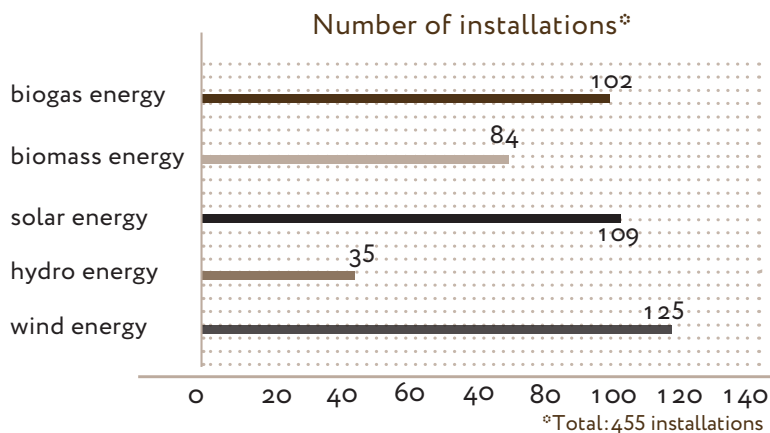
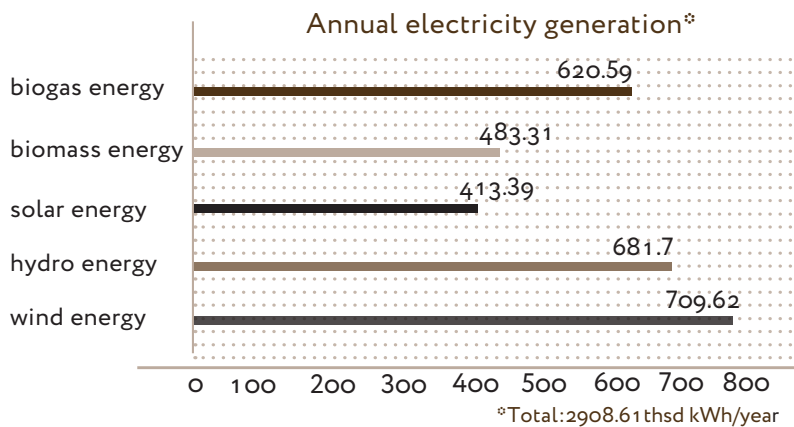
## HIGH FEED-IN-TARIFFS

According to the current legislation, the state purchases energy produced by RES power plants at a preferential tariff.

Electric energy produced by plants that were created within the limits of quotas distributed before November 1, 2019, is purchased using increasing coefficients, and within the limits of quotas distributed after this date, using coefficients that stimulate the use of RES. Since 2019, identical coefficients are applied for all types of green energy. Within the first 10 years after RES power plant commissioning the size of the coefficients depends on the capacity of the plant.

The coefficient may be decreased on the initiative of a particular investor, who has an intent to build RES power plant within quotas.

### CURRENT USE OF RENEWABLE ENERGY SOURCES IN BELARUS



SOURCE: State Committee for Standardization of Belarus

## SUBSTANTIAL GOVERNMENTAL SUPPORT

The use of RES in Belarus is one of the priority areas for energy sector development. Systematic work on development of the renewable energy sector is organized and supported by all level state authorities and is expressed in:

### a) providing legal guarantees

- guaranteed connection to the state power supply network;
- guaranteed purchase by the state energy company of all the proposed energy produced from RES;
- guaranteed payment for all energy produced from RES at preferential tariffs.

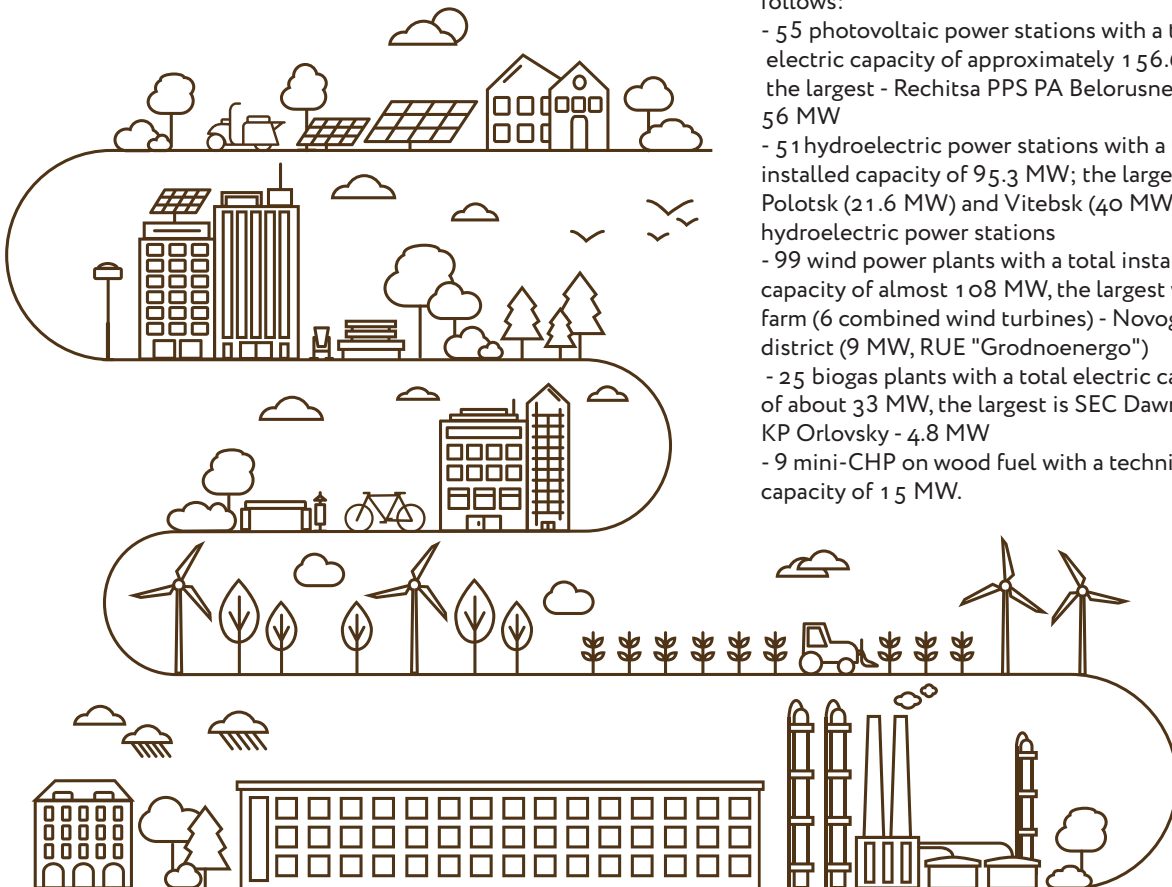
### b) stimulating state policy

- the Law of the Republic of Belarus No. 204-3 as of December 27, 2010 "On Renewable Energy Sources"
- the Decree No. 357 as of September 24, 2019 "On Renewable Energy Sources"
- the Resolution of the Ministry of Antimonopoly Regulation of the Republic of Belarus No. 73 as of September 3, 2018 "On Tariffs for Electric Energy Generated from Renewable Energy Sources"
- State Program "Energy saving" for 2016-2020

### c) The RES inclusion in the country's fuel and energy complex

As of the beginning of 2020, RES power plants, operating in the Republic of Belarus, are as follows:

- 55 photovoltaic power stations with a total electric capacity of approximately 1 56.6 MW, the largest - Rechitsa PPS PA Belorusneft - 56 MW
- 51 hydroelectric power stations with a total installed capacity of 95.3 MW; the largest are Polotsk (21.6 MW) and Vitebsk (40 MW) hydroelectric power stations
- 99 wind power plants with a total installed capacity of almost 1 08 MW, the largest wind farm (6 combined wind turbines) - Novogrudok district (9 MW, RUE "Grodnoenergo")
- 25 biogas plants with a total electric capacity of about 33 MW, the largest is SEC Dawn them. KP Orlovsky - 4.8 MW
- 9 mini-CHP on wood fuel with a technical capacity of 15 MW.



## 2.3 TRANSPORT AND LOGISTICS

### THE COUNTRY FOR LONG-TERM PARTNERSHIP

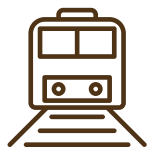
The transport complex is an essential part of economic and social infrastructure of the country and is aimed to meet efficiently the needs of the population in transport services, maintain activity of all sectors of the economy and provide national security.

The Republic of Belarus is located at the intersection of major pan-European transport corridors (II "West-East" and IX "North-South"), and its advantageous geographical position has determined a well-developed transport infrastructure. The trans-European transport corridor, as well as its branch, provides access for cargo owners from the regions of Eastern Ukraine and Central Russia to the specialized seaports of Klaipeda, Ventspils and Kaliningrad.

The transport infrastructure of Belarus includes a wide network of railways, air routes, highways, river and pipeline transport.

The main share in the structure of goods transit by type of transport belongs to road transportation - 38%, railroad transportation - 34% and pipeline - 28%.

Export of transport services in 2019 reached 4 009.9 mln USD, which is 2.2 % up as compared with 2018.



The length of railways amounts to 5, 480 km, including 1,228 km of electrified sections.



The length of motor roads is 102.6 thousand km, including 90.0 thousand km of hard-surface roads



The total pipeline length is nearly 11 thousand km, 2/3 of which are gas pipelines.



The total length of the operated waterways amounts to 3,000 km

Currently, a set of measures is being implemented in the Republic of Belarus in order to develop the logistics system and transit potential.

## WATER TRANSPORT

Navigation in the Republic of Belarus is carried out by inland waterways (the Dnieper, Berezina, Sozh, Pripyat, Western Dvina, Nieman rivers, Dnieper-Bug and Mikashevichy channels). The total length of Belarusian inland waterways amounts to 2,067.4 km, including 1,128.1 km of the waterways with guaranteed depth.

Water transport is important since its energy consumption per unit of transport work is much lower than that of road transport and 1.5-2 times less than that of rail transport.

In this regard, it is very important to reanimate the former waterways connecting the Black and Baltic Seas basins. Among them is the Dnieper-Vistula-Oder water transport connection.

A number of export-import freight flows of Belarus, Poland, Ukraine and other European countries, as well as flows from Scandinavia, the volume of which is estimated at millions of tons, are connected to this transport system.

Water tourism development, reconstruction of inland waterways, which provide access to the territory of Ukraine and to the Black Sea, infrastructure development on the international waterway E-40, transport fleet modernization, creation of the State administration of water transport and other measures contribute to improving the system of water transport.



2.24 million tons  
of cargo were  
transported



200 thsd  
passengers were  
transported

## AIR TRANSPORT

Air transport of the Republic of Belarus is a complex of enterprises and organizations transporting passengers and cargo by air both in the Republic of Belarus and outside, as well as performing aerial work. In the Republic of Belarus, every major regional city has its airport.



28.2 ths tons  
of cargo were  
transported



4 mln  
passengers were  
transported

The development of Belarusian air transport is associated with continuous work to increase the capacity of airports, expand the transportation geography, increase the efficiency of regional airports, replace equipment of automated control systems, use visualization systems and tools, increase aviation security, etc.

In 2020, implementation of investment projects will continue (including construction of the aircraft repair plant in the territory adjacent to the Minsk National Airport as well as reconstruction of the first artificial runway at the Minsk National Airport).

## AUTOMOBILE TRANSPORT

Road transport in conjunction with urban electric transport and the metro carries about 96 percent of the total passenger traffic. In addition, about 40 percent of the total freight traffic is transported by road.

Increase in the share of EURO-6 vehicles providing international transport in the total volume of all purchased pull vehicles, implementation of a coordinated transport policy within the framework of the EEU, transition to a non-permissive system to/from the third countries for road cargo carriers by 2025, implementation of electronic and information technologies in the system of international road transport will contribute to the accelerated attraction of foreign investment to in this area.



161.7 million tons  
of cargo were  
transported



1 186.5 mln  
passengers were  
transported

About 4.4 million units of cars, motorcycles and trailers are registered in Belarus (88.1% are in personal use, 11.9% belong to legal persons), including about 3.7 million cars (according to the State Automobile Inspectorate of the Ministry of Internal Affairs of the Republic of Belarus as of January 1, 2020).

According to the Association of International Road Carriers "BAMAP", there are over 19 thousand vehicles registered in Belarus, which are capable of international cargo transportation (about 3 thousand economic entities).

### RAIL TRANSPORT

Railway transport is one of the most important elements of the transport system of the Republic of Belarus.

The state association "Belarusian Railways" is the operator of the Belarusian railway network, which provides about 75% of all freight traffic in the country. The operational length of the railways is 5.5 thousand km.



145.5 mln tons  
of cargo were  
transported



79.7 mln  
passengers were  
transported

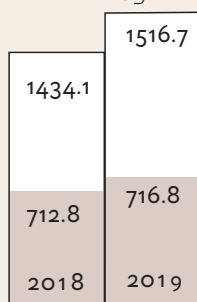
The Belarusian railway is one of the most important links in ensuring trade and economic ties between the countries of the European Union and the Asia-Pacific region.

Such measures as participation in large - scale projects, including organization of container transport between China and Western Europe, interlinking of the EEU and the "One Belt One Road" project, improvement of cargo transportation technologies by implementing direct accelerated container trains, renewal of rolling stock and other will create prerequisites for building capacity in the development of railway transport.

### PIPELINE TRANSPORT

Druzhba (large oil pipeline) and Yamal-Europe (main gas pipeline) pipelines are of particular importance, providing transit transportation

Volume of freight forwarding services  
(Association of International Freight  
Forwarders and Logistics «BAIF»)



- ☐ Under agreements with non-residents of the Republic of Belarus
- ☐ Under agreements with residents of the Republic of Belarus

Source: Association of International Freight Forwarders and Logistics «BAIF»

of energy-sources from Russia to the European Union through Belarus. The total length of pipelines is within 11 thousand km, 2/3 of which are gas pipelines. The share of pipeline transport in the total cargo turnover of Belarus is 41.3%.

The growth of cargo flows on Belarusian routes is achieved through timely response to changes in the transport services market, optimization of transport schemes for basic foreign trade goods and improvement of tariff conditions.

The main volume of goods exported by the EEU member states is transported by sea/river (60.1% of export volume), pipeline (20.4%) and rail (16.6 %) transport.

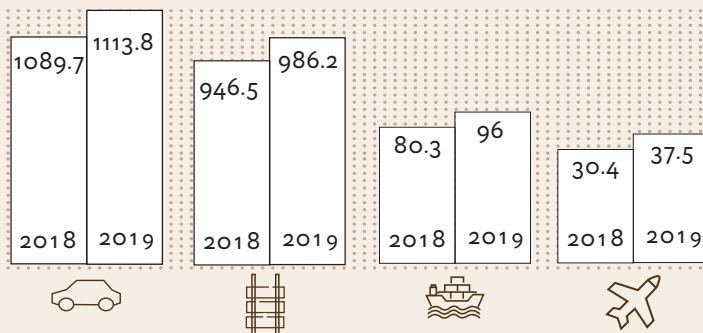
Within the 2009-2019 period, in the Republic of Belarus transport services accounted for almost a third of the services exports growth (46.1 percentage points compared with 157.6 pp of the total increase) and grew up by 1.76 times: from US\$ 2.3 billion in 2009 to US\$ 4 billion in 2019. The main consumers of transport services from the Republic of Belarus are Russia, Germany, USA, Lithuania. It is predicted that in the medium term, the growth in export of transport services will be determined by the increase in commodity circulation and by 2025 will amount to about 5.2-5.5 billion US dollars.

### LOGISTICS INFRASTRUCTURE

The sharp increase in the number of logistics centers in the Republic of Belarus, which was largely due to the low launching base, was replaced by a period of qualitative development. It is precisely with qualitative changes in the former quantitative boundaries that logistics responds to crisis phenomena in the economy. According to the World Bank, in developed countries, logistics services provide from 15 to 25% of a country's GDP with a tendency to increase. In the European Union, 20–25% of GDP is formed due to logistics.

In recent years, the trend towards increasing the share of logistics services in GDP has been observed in Belarus.

Volume of freight forwarding services rendered (by type of transport),  
million US dollars:



Currently, about 60 logistics centers operate in Belarus, of which Minsk accounts for more than 70%. About 25% of the existing logistics centers are state-owned, while the rest were created by domestic (OMA, Prostor, Euroopt, etc.) and foreign investors (from Russia, Azerbaijan, Iran and China).

According to the BAIF, in 2020, the area of warehouse space of "A" class is planned to exceed 1 million square meters.

As for the distribution of warehouse space by consumers in Minsk and Minsk region, as of the beginning of 2019, suppliers and online stores occupied the lion's share - 38%, followed by retail chains - 35%, logistics - 19% and manufacturers - 8% (according to the data announced at the "Warehouse real estate/logistics services" conference).

In 2019, the average rental rates in Minsk were as follows: 6.5 - 8 euros for class A, 7.3 euros for class B, 5 euros for class C. Class B warehouses with an area of 500 to 1000 square meters are the most popular. As you move 8-10 km away from the Minsk Ring Highway, the rental rates are reduced by an average of 1 EUR per 1 m<sup>2</sup> compared to similar properties located inside the Minsk Ring Highway area (according to Colliers International).

Built-in administrative premises with good visibility and access from the Minsk Ring Highway are in high demand among investors. As a rule, premises of this format are vended at the construction stage already: a sale is carried out or lease agreements are signed. Rental rates for such property are 7-9 euros per square meter including VAT.

As for the regions, class C warehouses and production facilities prevail there. The most attractive are property units on the territory of the free economic zones and at the logistics centers of enterprises. As before, Minsk (outside the Minsk Ring Highway, near the II and IX trans-European transport corridors) and Brest (the border with Poland) remain the most attractive regions for construction of logistics centers.

With the purpose of integration into global logistics schemes two special economic zones have been created in the Republic of Belarus – the China-Belarus Industrial Park «Great Stone» and «Bremino-Orsha».

A comprehensive assessment of the effectiveness of logistics activities is presented in the World Bank Logistics Performance Index (LPI). The LPI index assesses the ease of delivery of goods and the state of trade logistics at the national and international level.

Belarus occupies the 103 place in World Bank Logistic Efficiency Rating. The warehouse real estate market is stable, supply and demand are balanced

## 2.4 AUTOMOTIVE INDUSTRY

Mechanical engineering is one of the main industries that determine the development of the world economic system. Its technological level dictates the price and quality parameters of products of industrial enterprises, and ensures their competitiveness

The machine-building complex of Belarus includes production of electrical equipment, machinery and equipment, computer, electronic and optical products, as well as transport vehicles and equipment. It accounts for more than 16% of the Republic's manufacturing industry. Modern innovative processes in Belarusian mechanical engineering are based on higher-level technologies (bio -, nanotechnology, information and

communication, aerospace), the use of the latest materials with specified properties, and achievements of micro - and photoelectronics, which form the technological basis of the knowledge economy. The production potential of the machine-building industry in Belarus is comprised of the highly qualified workforce and extended infrastructure, which includes know-how, scientific organizations, supply and distribution channels.

#### Industry leaders:

Belarusian machine building industry is widely known abroad for such national brands as BELAZ dump trucks, "Belarus" tractors, and MAZ trucks. Amkodor's special equipment and Gomselmash's agricultural machinery have also found their own markets, constantly expanding the geography of exports.

In 2019, engineering products output totaled \$7.9 bln US dollars. The largest increase was in the production of transport vehicles and equipment (+18.4%). The production of motor cars, trailers and semitrailers for agricultural machinery increased almost 2 times, and the output of fertilizer application machines - 3 times. Also, in 2019, Belarusian export of engineering products such as tractors and auto parts increased by 20% in physical terms. More than 60% of Belarusian engineering products are sold abroad.

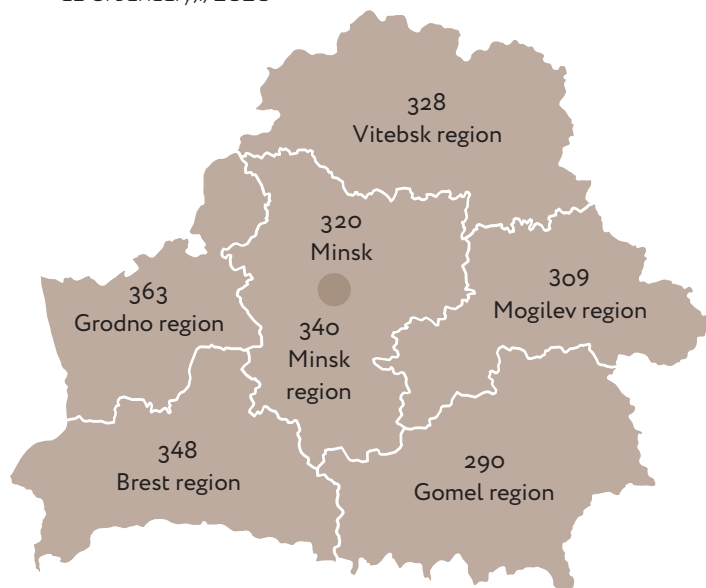
#### Electric transport development in Belarus

In order to stimulate demand and create favorable conditions for the development of the production of electric vehicles and automotive components, the Presidential Decree of the Republic of Belarus "On the Promotion of the Use of Electric Cars" was signed in March 2020. The Decree provides benefits for the owners of electric vehicles, such as exemption from road tolls and public parking charges; exemption of individuals from VAT when purchasing an electric vehicle for personal use; exemption of electric charging stations from VAT, etc. Also, according to the Decree, land property for electric charging stations will be provided without auctions.

Motorization coefficient in Belarus is one of the largest among former Soviet states and accounted for 329 passenger cars per 1000 population at the beginning of 2020.

In 2019, 64,504 new cars were sold by Belarusian dealers (+22% as compared with 2018). As of the beginning of 2020, LADA occupied the first place by the number of new cars sold in the country. Renault ranked the second, Volkswagen the third, and the fourth place belonged to Geely.

NUMBER OF CARS  
PER EVERY 1000 OF THE POPULATION,  
as of January, 2020



Source: National Statistical Committee of the Republic of Belarus



# 2.5 FOOD INDUSTRY

The existence of the Eurasian Economic Union of Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan offers the entirely new prospects for foreign investors in Belarus. Belarus is the largest supplier of food products to the CIS countries and has a favorable geographical position to gain leading status in the region.

## GROWTH POTENTIAL

It is projected that the growth potential of the food industry will remain at a high level in the coming years, which offers good opportunities for domestic and foreign investors.

## FEEDSTOCK

The food industry plays a leading role in the structure of the industrial production in Belarus. Along with metallurgic and fuel complexes, the food industry is a leader in the production of industrial goods. Belarus has a high potential for the food industry development due to the feedstock availability and abundance of agricultural products, as well as labor and land resources in the countryside. Belarusian agricultural production ensures national food security.

In 2019, output of food, beverages and tobacco products accounted for 24.3% of total industrial production in the Republic.

Belarus accounts for 4.7% of the world's flax fiber production (3rd place in the world), 8% of the world's triticale production (4th place in the world), 4.5% of the world's rye production

(5th place in the world), 1.6% of potatoes, 1.7% of sugar beet, 1.1% of milk; the country occupies 10th place in the world by cranberry production.

The major commodities in the structure of supplies to the common market of the Eurasian Economic Union from the Republic of Belarus are as follows: dairy products, meat and by-products, finished meat and fish products, vegetables, sugar and finished cereal products (80 %).

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. Thus, in 2019, the largest growth of supply to the Russian Federation in the value terms was observed for such products as cheese and cottage cheese (+23.4% as compared with 2018), butter (+46.9%), condensed and dry milk and cream (+20.4%).

Belarus is steadily ahead of its EEU partners in the production of milk and eggs per capita. In 2019, Belarusian export of meat and offal to non-CIS countries increased 3.6 times in physical terms as compared with the previous year. Sugar exports to non-CIS countries grew 3.5 times in physical terms in 2019. The most significant increase in the value of export deliveries is demonstrated by cheese and cottage cheese (+22.7% compared to 2018).

	Rank of Belarus among top 20 exporters by physical volume (2018)	Belarus' export share in export turnover of 20 top-exporters, % by physical volume (2018)
Meat of bovine animals fresh/chilled	18	1.5 %
Cheese and curd	12	2.5 %
Butter	9	4.3 %
Dairy spreads	1	21.6 %
Milk not concentrated nor sweetened (1–6% fat)	14	2.2 %
Milk and cream not concentrated and unsweetened exceeding 6% fat	14	1.5 %
Milk powder not exceeding 1.5% fat	10	3.5 %

## 2.6 IT INDUSTRY

Information and communication technologies cast the role of an essential development tool for the high-tech sector of the economy, providing conditions for the transition to the digital economy, improving the institutional and creating a favorable business environment. The share of the gross added value of the ICT sector in the GDP has almost doubled in five years and reached 6.4%. Further increase in the number of residents of the Hi-Tech Park Belarus (HTP Belarus) played the pivotal role in the added value growth. HTP Belarus was established in order to increase the competitiveness of the industry and to attract new investors. Since the beginning of 2019, 297 residents have joined HTP. As of the beginning of 2020, the total amount of HTP residents, including development centers of foreign companies, reached 751 units, and the staff accounted for over 58 thousand people. There was also an increase in exports of computer services (+33.3% as compared with 2018 and more than 7 times compared to 2010), as well as of information services (+17.3% against 2018).

According to Belstat, the share of the ICT sector exports in 2019 amounted to 24.9% of the total value of services exports (the second after transport services). Computer services are the fastest-growing type of service: in 2019, their export value reached USD \$2.1. They also made the largest contribution to the growth of services exports over the decade – 52.3 p.p. out of 157.6 p.p. of the total growth. The reasons for the rapid development of exports of computer services are the growth of external demand, extended infrastructure, solid engineering and technical background of the human resources, as well as significant tax benefits within the HTP.

The Decree No. 8 "On the development of the digital economy" (commenced on March 28, 2018), which improved and extended the special HTP regime until 2049 and expanded the list of the activities encouraged, became a powerful incentive for the development of the IT sector in Belarus.

Thus, a significant growth was achieved and the basis for accelerated development of the product model of the IT-business was established.

The share of foreign investment in the ICT sector in the total foreign investment has also increased 2 times since 2011 and amounted to 5.4%. Residents of the HTP have the largest share in the total volume of the foreign direct investment attracted.

The Republic of Belarus is one of the world's leading exporters of IT services per capita.

HTP Belarus is one of the largest clusters in Central and Eastern Europe for companies interested in IT business development.

The uniqueness of HTP is in the successful combination of high-quality technical education and high level of professionalism of IT-specialists on the one side and governmental support of the IT-industry on the other.

Consumers of Belarusian software created by HTP residents are the well-known global corporations, such as Microsoft, HP, Coca-Cola, Colgate-Palmolive, Google, Toyota, Citibank, MTV, Expedia, Reuters, Samsung, HTC, Mitsubishi, British Petroleum, British Telecom, the London stock exchange, the World Bank and others. HTP resident companies are included in the list of the largest software developers and suppliers "Software 500", published by Software Magazine, an influential publication of the global IT industry, and successfully compete in the high-tech markets of North America and Western Europe. Since 2011, the share of services exports of the HTP residents in the total volume of ICT services exports has doubled.

Belarus is introducing one of the most progressive legal systems in the world in the field of digital economy. Currently, legal conditions have been established for ICO, as well as for the use of cryptocurrency and the introduction of smart contracts.

Belarus is becoming the first jurisdiction in the world with comprehensive legal regulation of businesses based on blockchain technology. Conditions for the development of IT product companies in the country are provided.

It is expected that the number of companies operating in the country and producing intelligent products sought-after around the world will grow rapidly. The Republic of Belarus will gain a foothold of the leading IT-country in the Eastern European region.

## UNPRECEDENTED REGULATORY ENVIRONMENT FOR THE CIRCULATION OF CRYPTOCURRENCIES AND TOKENS HAS BEEN CREATED

- The rights of physical and legal entities in terms of token circulation are defined;
- Legal entities are entitled to possess tokens, create and list their own tokens through HTP residents, buy and exchange tokens, and perform other operations using tokens only through the cryptocurrency exchanges and cryptocurrency exchange operators;
- Individuals are entitled to possess tokens, perform mining, exchange tokens, buy and sell them for Belarusian rubles, foreign currency and e-money, as well as to present and bequeath tokens. The mining activity of individuals, tokens purchasing and sale shall not be considered entrepreneurial activity;
- Tokens and income from operations with them shall not be a subject to declaration by the individuals;
- Turnovers, profits (income, proceeds) from various operations with tokens are not recognised as taxable items until January 2023.

## HTP RESIDENTS' ACTIVITIES ARE SIMPLIFIED

Residents will have the right to:

- Conduct operations with e-money without a range of limitations;
- Open accounts in foreign banks and other credit and financial institutions, and to receive money into these accounts without the permission of the National Bank;
- Move capital through currency transactions if conducted after notifying the National Bank and with their permission;
- Execute primary accounting documents personally, when performing business transactions with non-residents of the Republic of Belarus.
- Subsidiary liability for HTP residents is abolished.

## IT-EDUCATION

HTP residents are allowed to engage in educational activities in the field of ICT, according to the curricula approved by the HTP Administration.

## INVESTMENT ACCORDING TO ENGLISH LAW IS ALLOWED

HTP residents are allowed to sign agreements with third parties that are actively involved in international business. For example:

- Agreements on granting the right of the first refusal to execute contracts;
- Convertible loan agreements;
- Property loss indemnity agreements;
- Agreements, stipulating liability for labour pirating;
- Non-compete agreements with employees with payment of compensation for the period of non-compete obligations;
- Agreements to issue irrevocable power of attorney.

## CONDITIONS FOR ATTRACTING HIGHLY-QUALIFIED SPECIALISTS TO THE COUNTRY HAVE BEEN CREATED

- HTP residents no longer have to get permissions related to the employment of foreigners. Foreign employees will receive a temporary residence permit under the simplified procedure;
- Requirements for foreign employees and founders of the HTP residents to get visas are cancelled. The maximum time limit of their temporary stay is increased up to 180 days.



# 3. ONE-STOP SHOP FOR INVESTORS NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION



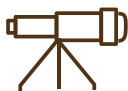
The National Agency of Investment and Privatization aims to assist foreign investors to find a niche for doing business in Belarus. The Agency acts as a 'one stop shop' for foreign direct investors at no cost

## 3.1 SERVICES



### CONSULTING AND INFORMATION SERVICES FOR INVESTORS

- Handling investor enquiries
- Providing information on doing business conditions and investment climate in Belarus
- Analysis of priority investment sectors
- Investment proposals
- Public-private partnership (PPP) projects



### FAMILIARIZATION VISITS TO BELARUS

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



### "INVESTOR'S ROADMAP" INTERACTIVE PORTAL ([www.map.investinbelarus.by](http://www.map.investinbelarus.by))

- Database of investment proposals, concessions and PPP projects
- Database of real estate and land property
- Analytical materials, competitive advantages of the regions of Belarus



### SITE SELECTION SUPPORT

- Search for greenfield and brownfield project opportunities
- Site visits
- Facilitation of liaising with local authorities



### AFTERCARE

Agency provides re-investment promotion and enterprise development support, including:

- Assistance in the selection of suitable site, real estate and investment projects
- Search for business partners
- Arranging negotiations with local and state authorities
- Assistance in solving problems with investment project implementation
- Providing information about investment incentives
- Transfer of investors' proposals on improving the investment climate to the Belarusian Government, etc.



### PROJECT MANAGEMENT

- Developing of a roadmap for project implementation
- Search for suppliers, service providers and JV partners
- Liaising with state bodies and industry regulators
- Assistance in solving administrative issues
- Assistance in dealing with issues related to PPP projects

## 3.2 PUBLIC PRIVATE PARTNERSHIP (PPP) IN BELARUS

### PPP AS AN ALTERNATIVE INSTRUMENT OF INFRASTRUCTURE DEVELOPMENT



PPP is an institutional and organizational alliance of state and business with the aim to implement socially significant projects in the priority sectors of the economy of the Republic of Belarus

The Public-Private Partnership Center (PPP Center) in Belarus was established on April 1, 2014 on the site of the Research Economic Institute of the Ministry of Economy. On September 1, 2016 the PPP Center was moved to the structure of the Agency in order to increase the Center's potential and effectiveness of its interaction with state authorities in attracting investments to the Republic of Belarus.

PPP Center searches for and promotes PPP projects, attracts investors to implement these projects, cooperates with key state stakeholders and international organizations to develop PPP market in Belarus.

PPP DEVELOPMENT AND IMPLEMENTATION PROCESS IS AIMED AT:

- consolidation of material, financial, intellectual, scientific, technical and other resources;
- ensuring the balance of interests and risks of both public and private sides;
- raising extra-budgetary funds to implement investment projects, plans and initiatives to develop infrastructural facilities.

PPP PROJECT DEVELOPMENT INCLUDES THE STAGES AS FOLLOWS:

#### STAGE 1

##### PREPARATION OF THE PPP PROPOSAL:

Public or private initiator prepares PPP project concept and submits it to the public authorities for their agreement within the limits of their competence. After that the concept is brought to the Interministerial Infrastructure Coordinating Board (hereinafter – IICB) or the Digital Economy Development Council (hereinafter – DEDC) (for PPP projects in ICT sphere).



In case the concept is approved by the IICB or DEDC, the initiator prepares proposal documentation, which includes feasibility study, passport of the project, draft PPP agreement. Then the proposal documentation is submitted to the public authorities for their agreement within the limits of their competence. After that the Agency forms comprehensive conclusion about the proposal. In case of positive conclusion, public initiator or concerned public body (for private initiative) prepares package of documents and submits it to the Monetary and Credit Commission (hereinafter – MCC) or local executive committee, depending on the level of PPP project and amount of budget obligation, for their consideration.

#### STAGE 2

##### ADOPTION OF LEGAL ACT TO AUTHORISE PPP PROJECT IMPLEMENTATION:

Subject to the approval by the MCC or local executive committee, public initiator or concerned public body (for private initiative) prepares in a prescribed manner draft legal act on PPP project implementation. The final decision about the project implementation is made by the President, Council of Ministers or local Council of Deputies, depending on the public partnersubordination, who accordingly signs the legal act.

#### STAGE 3

##### TENDER TO CHOOSE A PRIVATE PARTNER:

Public partner organizes the tender to choose a private partner, creates tender commission and designs tender documentation. Tender commission determines the winner.

#### STAGE 4

##### CONCLUSION AND EXECUTION OF THE PPP AGREEMENT

PPP agreement is concluded for the period of the PPP project implementation between public and private partners within twelve months from the day the winner of the tender is determined.

#### PPP LEGISLATION IN BELARUS

Implementation of PPP projects in Belarus is carried out in accordance with the following legal acts:

- The Law of the Republic of Belarus No. 345-3 as of December 30, 2015 the "On Public Private Partnership";
- Resolution of the Council of Ministers of the Republic of Belarus as of July 06, 2016 No. 532 "On Measures for the Implementation of the Law of the Republic of Belarus as of December 30, 2015" On Public-Private Partnership";
- the Decree of the Ministry of Economy of the Republic of Belarus as of July 27, 2016 No. 49 "On measures to implement the Law of the Republic of Belarus dated December 30, 2015 "On Public-Private Partnership".

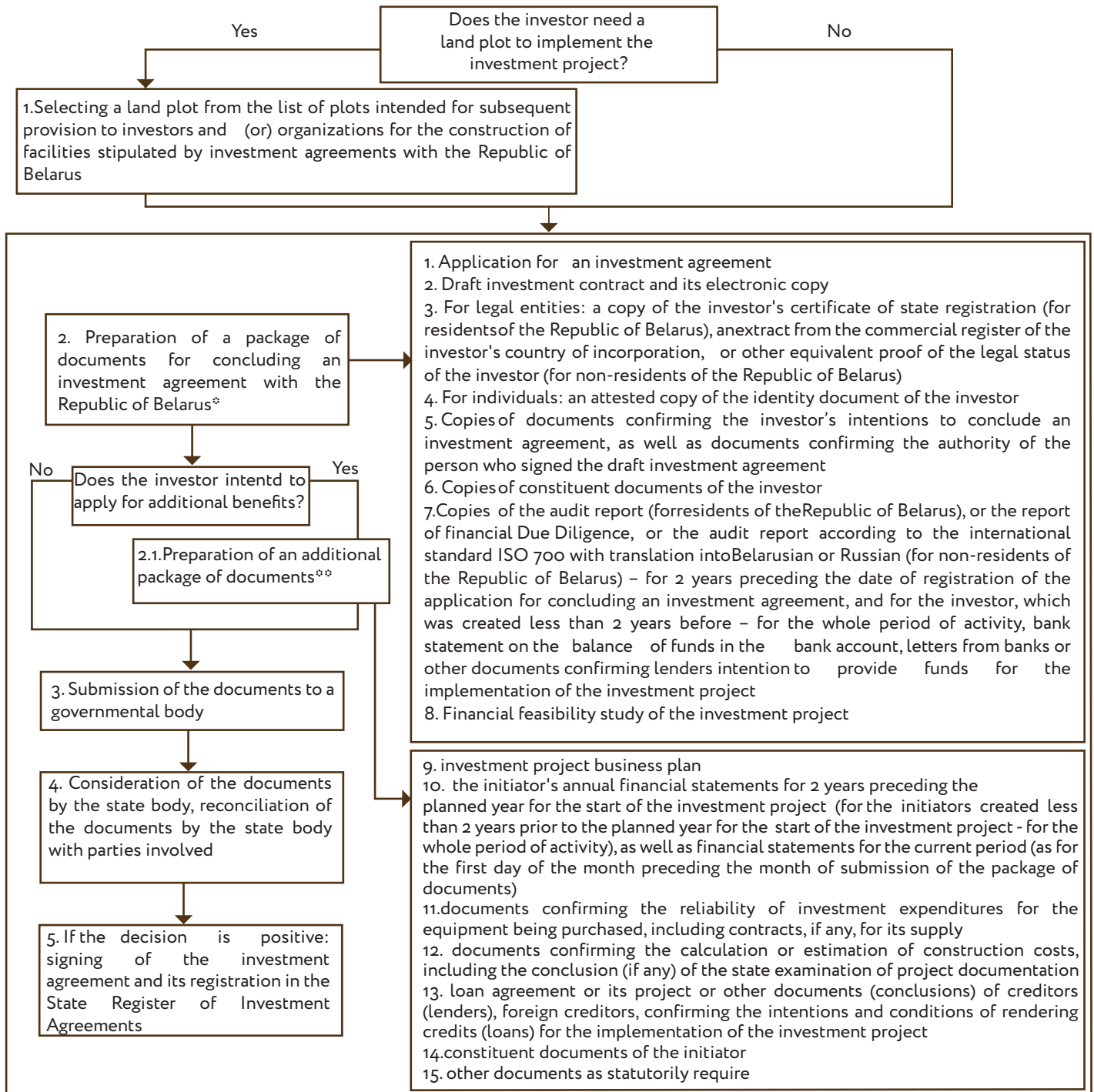
FOR MORE INFORMATION, PLEASE,  
VISIT OUR DEDICATED WEBPAGE

[investinbelarus.by/public-private-partnerships](http://investinbelarus.by/public-private-partnerships)

OR SEND US YOUR REQUEST VIA EMAIL  
[ppp@investinbelarus.by](mailto:ppp@investinbelarus.by)

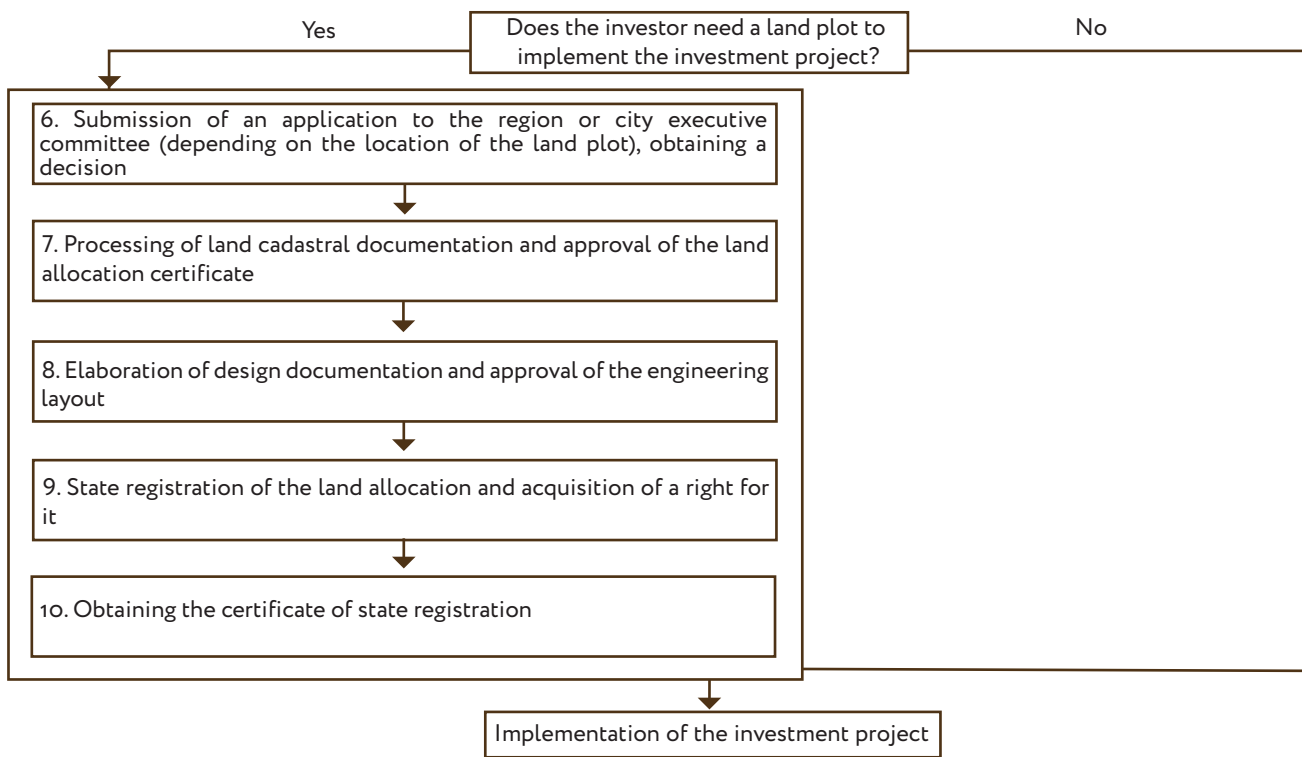
## 3.3 Step-by-step algorithms for an investor

Concluding of an investment agreement with the Republic of Belarus





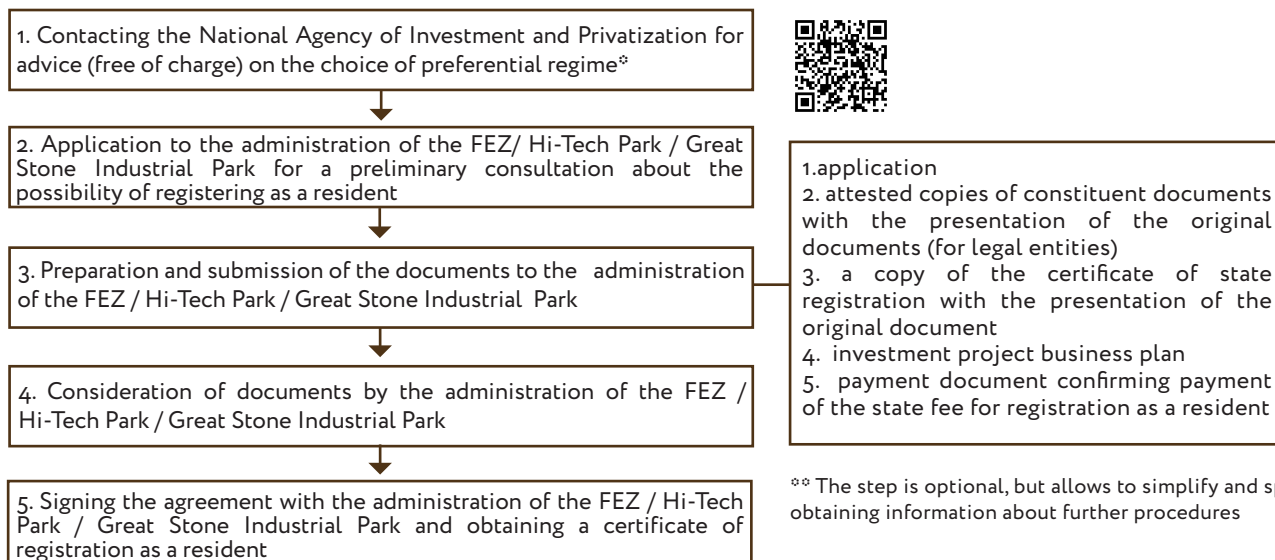
## Concluding of an investment agreement with the Republic of Belarus (continued)



\* for details of the requirements for the list, translation, legalization of the documents - see paragraph 4 of the Regulation on the procedure for concluding, amending and terminating investment agreements between an investor (investors) and the Republic of Belarus, approved by Resolution of the Council of Ministers of the Republic of Belarus dated July 19, 2016 N 563

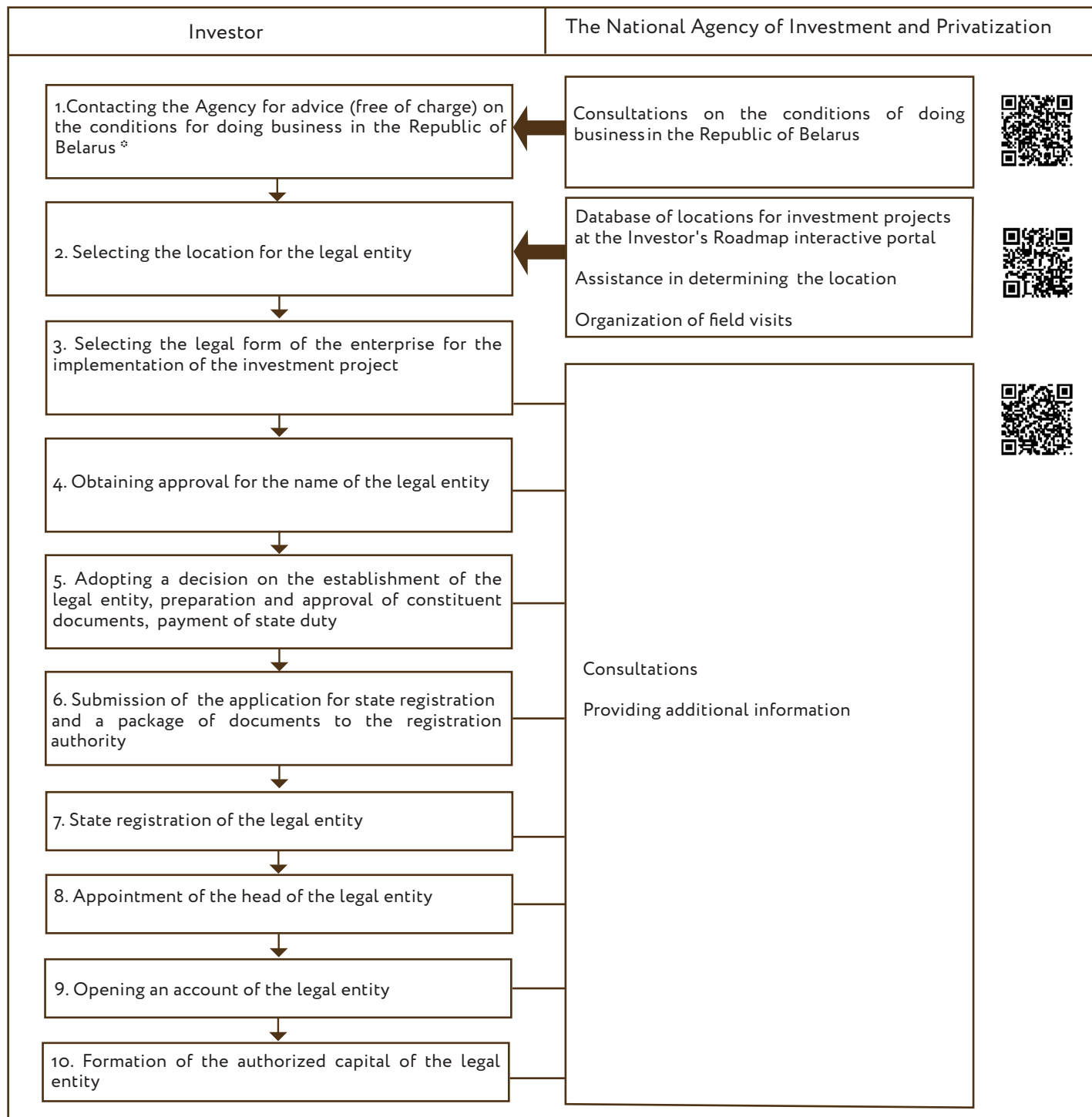
\*\* Chapter 3 of the Regulation on the procedure for concluding, amending and terminating investment agreements between an investor (investors) and the Republic of Belarus, approved by Resolution of the Council of Ministers of the Republic of Belarus dated July 19, 2016 N 563; clause 16 of the Regulation on the organization of the development, approval and consideration of business plans for investment projects, as well as the examination of investment projects, approved by the Decree of the Council of Ministers of the Republic of Belarus dated May 26, 2014 No. 506

### Benefiting from preferential regimes of the Republic of Belarus: registration as a resident of a Free Economic Zone (FEZ), Belarus Hi-Tech Park, or the Great Stone Industrial Park



\*\* The step is optional, but allows to simplify and speed up obtaining information about further procedures

## The procedure for creating a legal entity



\* The step is optional, but allows to simplify and speed up obtaining information about further procedures



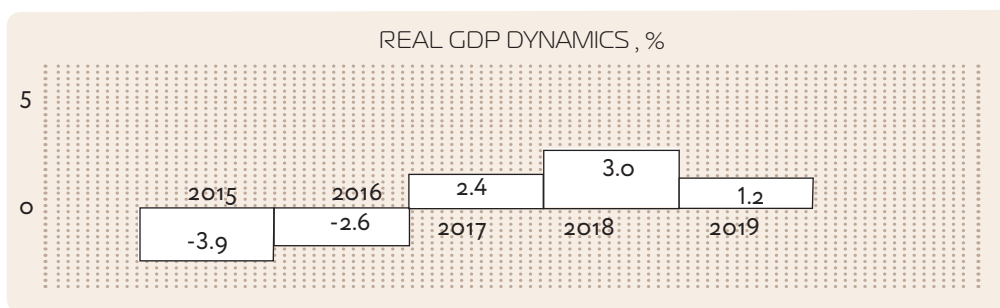
# Belarusian Economy

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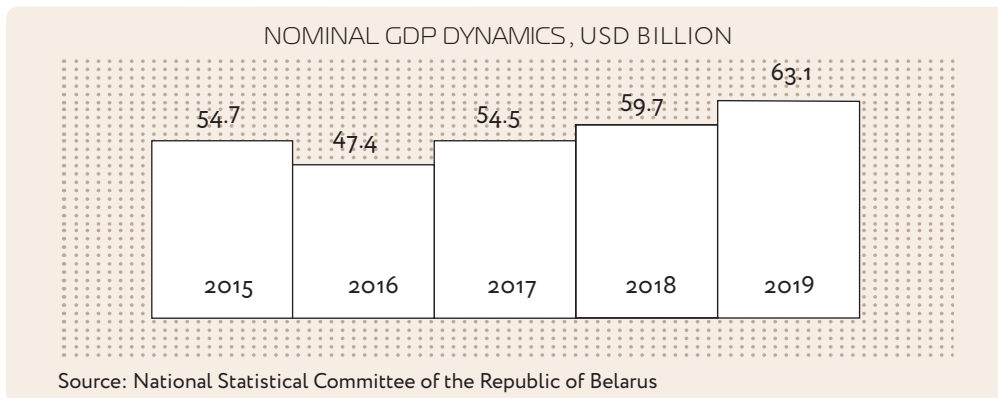
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# 4. ECONOMY OF BELARUS OVERVIEW

## REAL GDP GROWTH



## NOMINAL GDP



GDP growth in Belarus amounted to 1.2% in 2019. In general, Belarusian GDP increased by 3% in comparable prices within 2013-2019 period, while labor productivity increased by 9.7%.

The main drivers of economic growth in Belarus are the service sector (the growth rate of GVA in the service sector was 1.1% in 2019 and provided about 0.5 p.p. of the 1.2 p.p. GDP growth) and industry

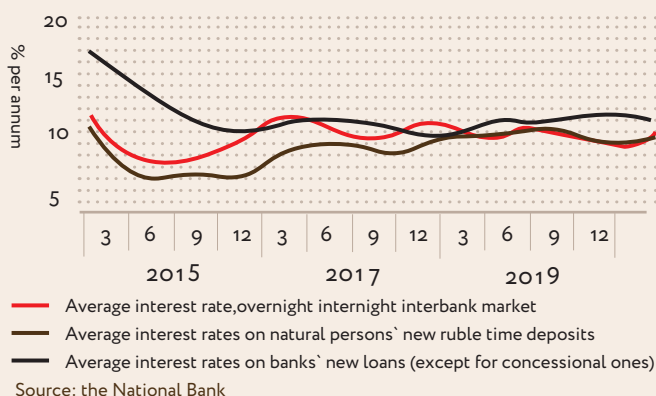
(the growth rate of GVA was 1.2%).

On a large scale, the achieved results were provided due to the positive dynamics of the development in information activities and communications (the GVA growth rate was 9.3%). Agriculture and construction also had a positive impact on GDP dynamics, with the same GVA growth rate of 3.1%.

Effective monetary policy of the National Bank kept inflation rate at the level of 4.7%. Since February 19, 2020, the refinancing rate has been set at 8.75% (the lowest level since 1991).

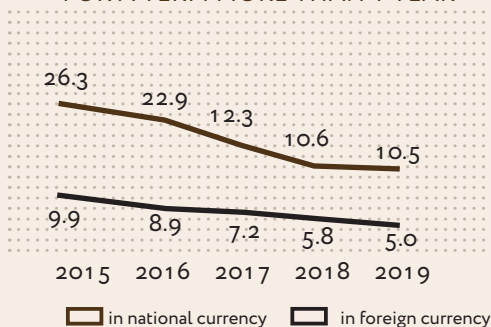
The impact of interest rates on the economy is assessed as a neutral one. Taking into account the slowdown in inflation at the end of 2019, the National Bank continued to reduce interest rates. A narrow and symmetric corridor of the National Bank's interest rates on standing facilities was formed around the refinancing rate. The gradual decrease in interest rates on credits contributed to an increase in the availability of credit resources in the national currency

Dynamics of the average interest rates in the financial market

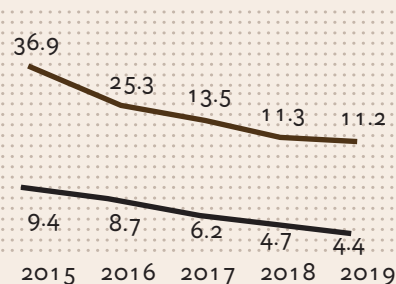


DYNAMICS OF INTEREST RATES ON NEWLY PROVIDED CREDITS FOR LEGAL ENTITIES, % PER ANNUM

FOR A TERM MORE THAN 1 YEAR



FOR A TERM UP TO 1 YEAR



Source: National Bank of the Republic of Belarus

## Foreign Trade

As of the end of 2019, a positive contribution to the growth of exports was provided by the export of consumer goods (the growth rate amounted to 4.7%). In the geographical structure of goods exports, the share of the EEU countries reached 44.2% (+ 3.1% compared to 2018).

The Republic of Belarus is an export-oriented state with the developed services sector and agriculture. The key sectors of the economy are industry, agriculture, construction, trade, transport, information and communication. Despite the lack of domestic fuel and energy resources, as well as of the essential raw materials, and regardless of the external economic shocks in recent years, Belarus has retained its industrial potential. The development of industry determines to a significant extent the major economic trends in the country.

The industry sector produces about a quarter of the gross domestic product, accumulates about 37% of the total fixed assets of the republic and employs 23.6% of the total number of people employed in the economy. Belarus ranks 46th in the world upon the industrial competitiveness index, leaving the CIS countries far behind, except for the Russian Federation.

The Republic of Belarus is the regional leader by the tractor production. The country produces about 80% of the total amount of tractors manufactured in the countries of the Eurasian Economic Union. Belarus is also the major producer of agricultural machinery - combines, various types of forage harvesting equipment and aggregates.

## 4.1 CONSUMER PRICE INDEX

The dynamics of free prices in 2019 Q4 was formed under the conditions of the restrictive monetary policy, slowing down of inflation processes in the countries being trade partners, primarily in the Russian Federation, moderate consumption activity, as well as normalization of situation in the agricultural products market.

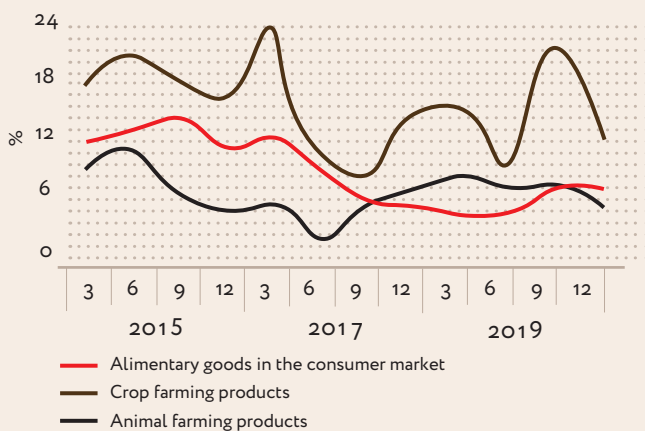
In 2019 Q4, the annual inflation continued to slow down. In December 2019, consumer prices growth slowed down by 0.3% and amounted to 4.7% in annual terms, with the target level no more than 5%. A deceleration in food prices had the major impact on the downward trajectory of the free prices movement. Monetary conditions, accumulating the aggregate influence of interest rates and the exchange rate on the economy, made,

on the whole, a disinflationary impact. A decline in import prices also contributed to restraining inflation in the domestic market in 2019, Q4.

The annual increase in regulated prices and tariffs remained at 7.5% in December 2019. This was due to a more restrained increase in retail prices for fuel in 2019 versus the previous year under the conditions of lower average global prices for oil.

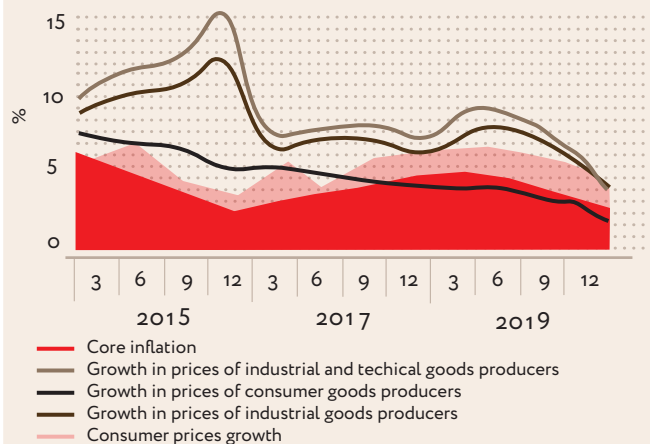
On the background of the moderate dynamics of inflationary processes, a decline in the inflationary expectations of households was observed.

Dynamics of agricultural producers' prices in annual terms



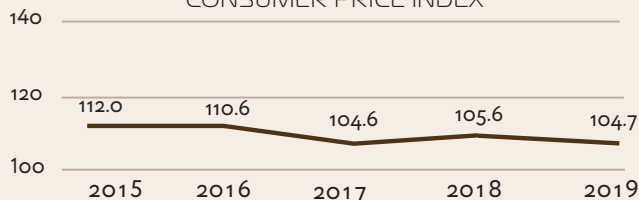
Source: National Statistical Committee of the Republic of Belarus

Dynamics of industrial producers' prices in annual terms



Source: National Statistical Committee of the Republic of Belarus

CONSUMER PRICE INDEX



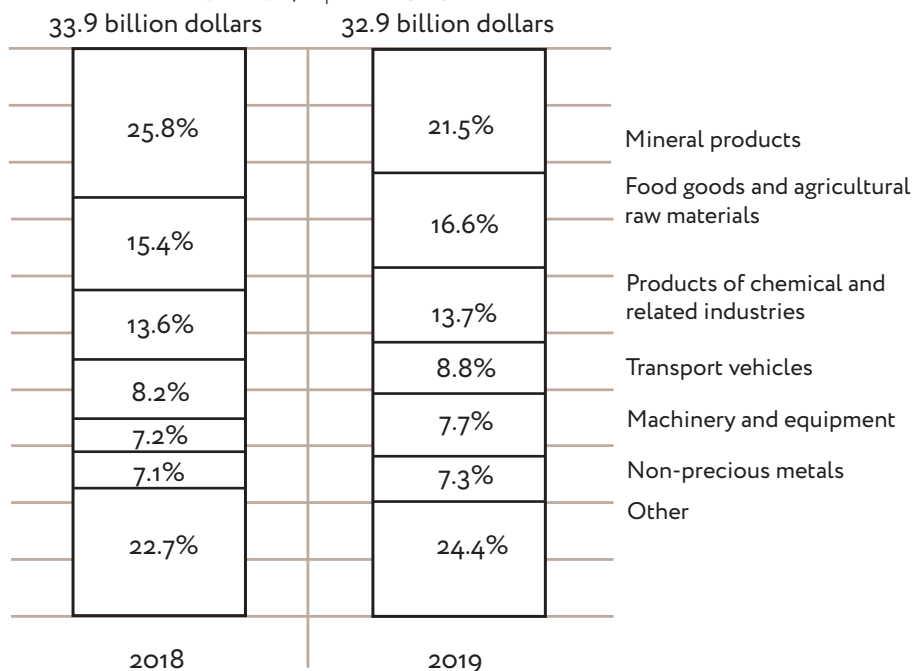
Source: National Statistical Committee of the Republic of Belarus

## 4.2 INTERNATIONAL TRADE

In 2019, the foreign trade balance was negative and amounted to 0.3 billion US dollars or 0.5% of GDP. The exports of goods and services in 2019 amounted to 41.9 billion US dollars (66.3% of GDP) and decreased by 0.8% compared to 2018. The foreign trade turnover of goods and services increased by 0.7% up to 84.2 billion US dollars.

The trade balance with the European Union countries was positive at 2.1 billion US dollars.

Commodity structure of exports of the Republic of Belarus in 2018-2019, in percent of total

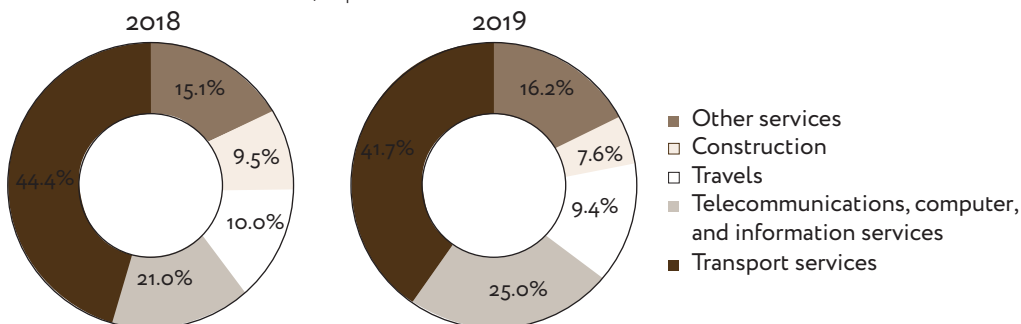


Source: National Statistical Committee of the Republic of Belarus

Exports of services totaled 9.6 billion US dollars (15.2% of GDP) and increased by 8.8 % in 2019 as compared with the previous year.

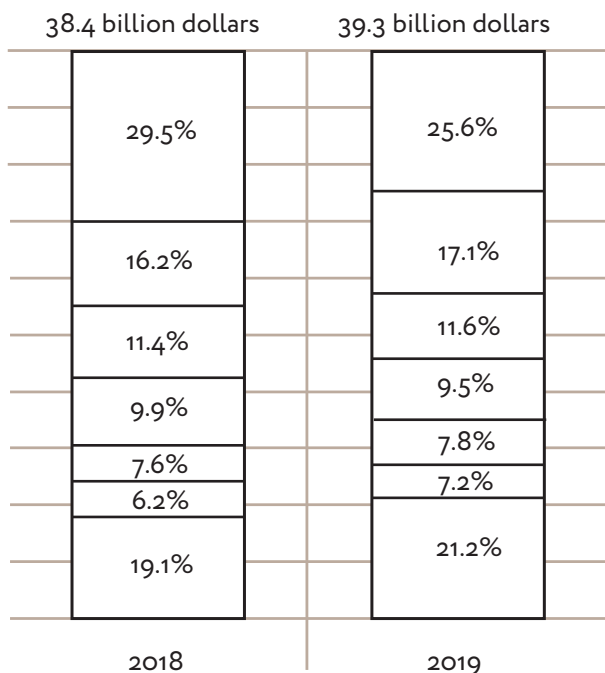
Transport services (41.7%), telecommunication, computer and information services (25.0%), services related to trips of non-residents to the Republic of Belarus (9.4%), and construction services (7.6%) accounted for the largest share in the total value of services exports. Residents of the EU countries were the major consumers of Belarusian services (44.5% of all services rendered), including Germany (11.6%) and Poland (6.9%). The EEU member states accounted for 24.0% of Belarusian services exports (the Russian Federation accounted for 22.4 %).

Structure of services exports of the Republic of Belarus in 2018-2019, in percent of total



Owing to the completion of the construction of the 1st unit at the Belarusian nuclear power plant, the growth rate of imports outstripped the growth rate of exports in 2019. The value of imports of goods and services increased by 2.1%.

Commodity structure of imports to the Republic of Belarus in 2018-2019, in percent of total



Source: National Statistical Committee of the Republic of Belarus

The imports of goods amounted to 36.4 billion US dollars (57.6% of GDP) in 2019, which is an increase by 0.5 billion US dollars (+1.3%) as compared to 2018. The growth of imports value occurred alongside an increase of the physical volume of imports (by 4.3%) and a decrease of average import prices (by 1.9%). The commodity structure of imports was dominated by mineral products (25.6% of total imports of goods), machinery and equipment (17.1%), food products and agricultural raw materials (11.6%), as well as non-precious metals (9.5%).

Mineral products

Food goods and agricultural raw materials

Products of chemical and related industries

Transport vehicles

Machinery and equipment

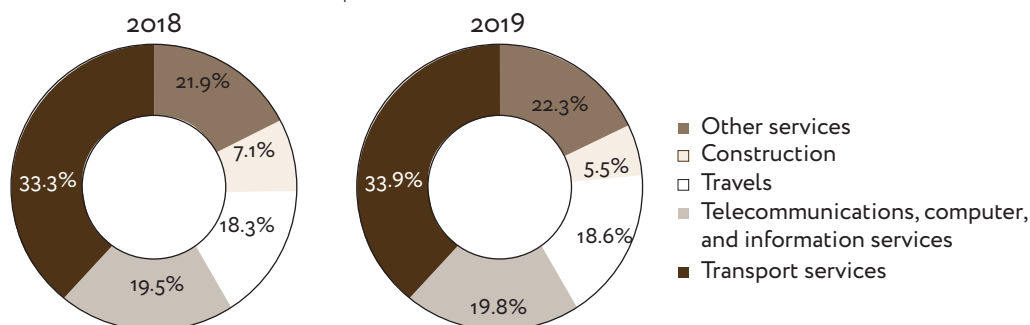
Non-precious metals

Other

In 2019, imports of services amounted to 5.8 billion US dollars (9.2% of GDP) and increased by 423.1 million US dollars (7.9%) compared to 2018. Transport services (33.3%), services related to trips of Belarusian citizens abroad (19.5%), and construction services (18.3%) accounted for the largest share of imports.

Residents of the Russian Federation provided 29.6% of the total volume of Belarusian imports of services, Lithuania provided 9.6%, China - 6.8%, Poland - 6.3%, Ukraine - 5.5% and Germany - 4.4%

Structure of services imports to the Republic of Belarus in 2018-2019, in percent of total





# 5. INTERNATIONAL COOPERATION AND FOREIGN CAPITAL IN BELARUS



The industry structure has determined a high degree of openness of the Belarusian economy, its focus on foreign markets. More than 50 percent of goods produced in the country are delivered for export.

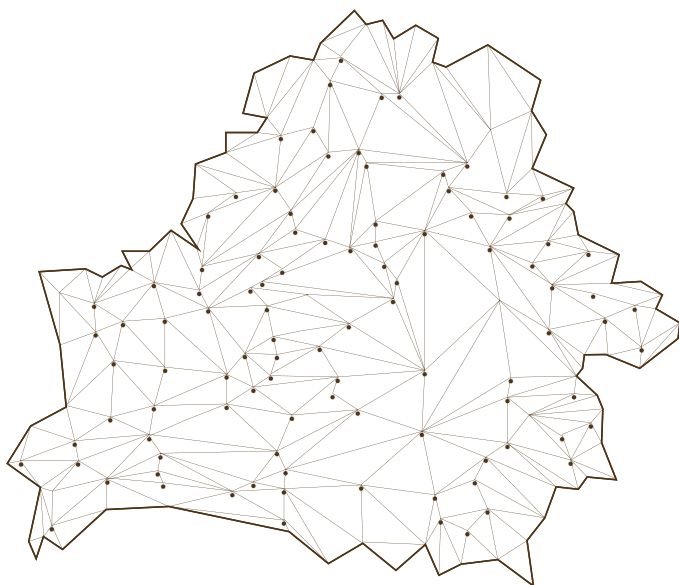
After the global financial crisis, the foreign trade of Belarus changed its structure. Today the country implements a trade policy aimed at increasing the share of high-tech products in exports and diversifying supplies to foreign markets.

Traditionally, the Republic of Belarus implements a multi-vector foreign trade policy, supports trade contacts with foreign countries and actively participates in international integration processes. Today Belarus has trade relations with more than 190 countries around the world. The Russian Federation is the major trade partner of the Republic of Belarus, it accounts for 41.2% of export of goods and more than a half of import. The European Union is the second-largest trade partner of the Republic of Belarus, it accounts for more than 25% of export of goods and 18% of import. The main partners in the EU are Germany, Poland, the United Kingdom, Lithuania, the Netherlands and Italy.

Transport services make up 44.4% of the total Belarusian export of services, reflecting favorable geographical position of the country. IT- and construction services are also among the major export positions. The EU countries and Russia are the main trade partners of Belarus in the export of services (44.7% and 22.1%, accordingly).

Belarus is constantly developing cooperation with partner countries within the boundaries of integration associations and organizations of the post-Soviet countries: the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EAEU) and Collective Security Treaty Organization (CSTO).

Efforts are underway to develop deeper cooperation with the key economic and financial organizations, such as the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the UN Economic Commission for Europe and the UN Conference on Trade and Development (UNCTAD).

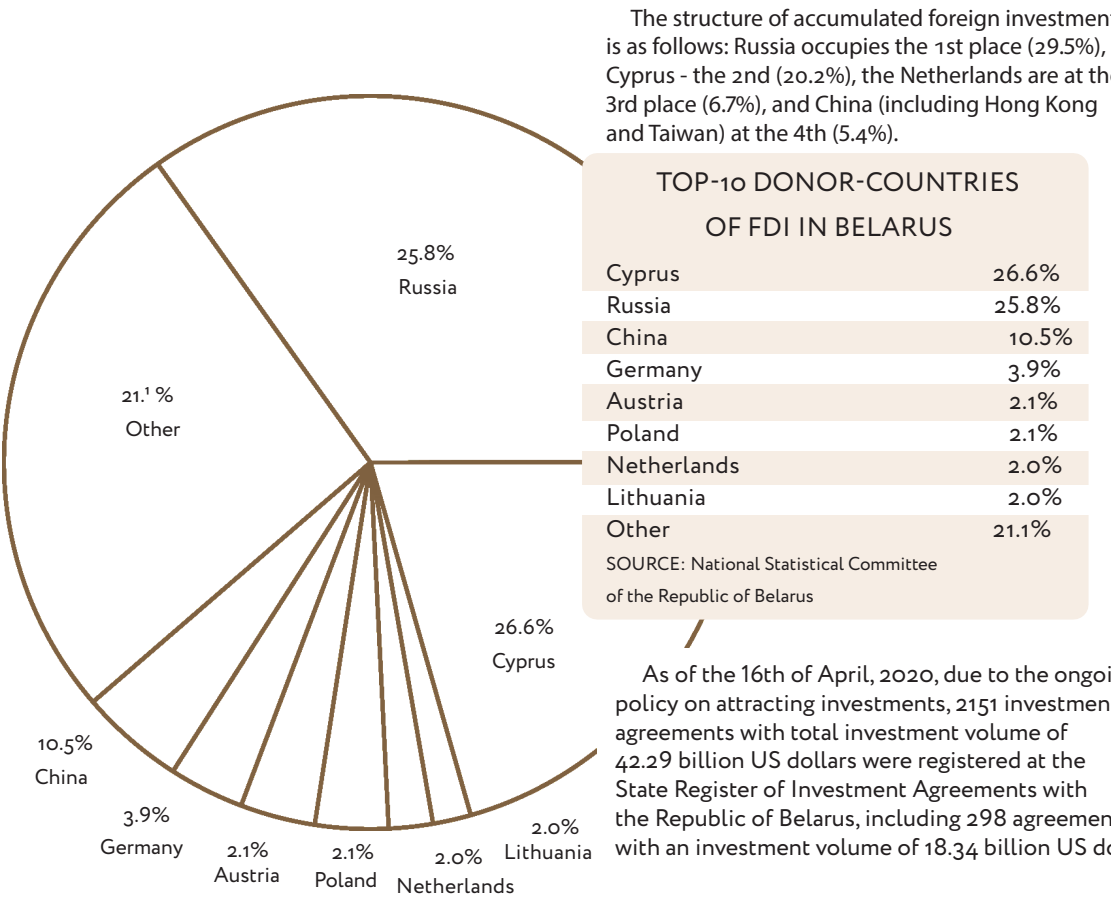


# 5.1 FDI ON NET BASIS

In 2019, foreign investors invested 10.01 billion US dollars in the real sector of the economy of Belarus, including 7.23 billion US dollars of foreign direct investment (FDI).

In 2019, FDI admission on a net basis (excluding debt to direct investors for goods, works and services) to the economy of the Republic of Belarus amounted to 1.3 billion US dollars.

As of January 1, 2019 there are 6, 633 registered companies with foreign capital in the Republic of Belarus. In 2019, a significant amount of foreign direct investment came from the Russian Federation (0.3 billion US dollars), which accounted for 25.8% of the total net inflow of direct investment from abroad. Significant amounts of direct investment in the Belarusian economy, except for the residents of the Russian Federation, were made by residents of Cyprus, China, the United Arab Emirates, the United States, and Germany. The largest amounts of foreign direct investment were directed to manufacturing industry, financial and insurance activities, information and communication sector.



## 5.2 EURASIAN INTEGRATION



The Eurasian Economic Union (EAEU) is an international organization of regional economic integration with international legal personality.

Freedom of movement of goods, services, capital and labor, as well as coordinated, coherent and common policy in the key sectors of economy are provided within the Union.

The Agreement on the Eurasian Economic Union was signed by the presidents of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation on May 29, 2014. This Agreement came into force on January 1, 2015. On January 1, 2018, the Treaty on Customs Code came into force.

The Union membership is open for any state, which shares the goals and principles of the EAEU, on the terms agreed by Member States. Also, any interested State is provided with the possibility to get an observer status within the Union.

On October 10, 2014, the Treaty on accession of the Republic of Armenia to the Agreement on the EAEU (dated May 29, 2014) was signed during the meeting of the Supreme Eurasian Economic Council (SEAEC) in Minsk. The Treaty came into force on January 2, 2015.

On December 23, 2014, during the SEAEC meeting in Moscow the Heads of states signed the Treaty on accession of the Kyrgyz Republic to the Agreement on the EAEU. The Treaty came into force on August 12, 2015.

On May 14, 2018, at the meeting of the SEAEC in Sochi the status of an observer state in the EAEU was granted to the Republic of Moldova.

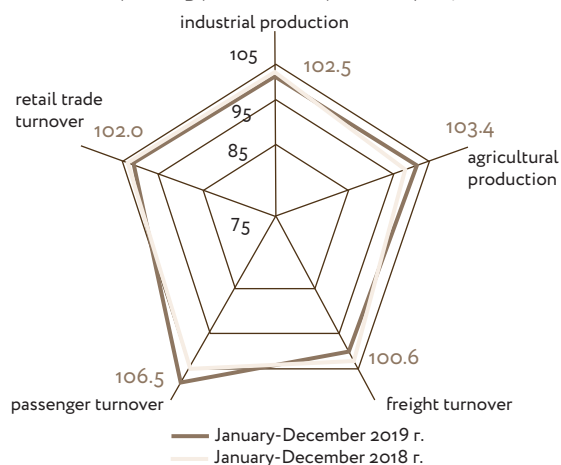
The Union is empowered to perform within its competence international activities, aimed to solve the problems which the Union faces.

The Free Trade Agreement between the member states of the EAEU and the Socialist Republic of Vietnam is in effect since 2016. An Agreement on Trade and Economic Cooperation between the EAEU member states, on the one hand, and the People's Republic of China, on the other, as well as the Interim Agreement to establish a free trade zone between the EAEU member states, on the one hand, and the Islamic Republic of Iran, on the other, were signed in 2018. The possibilities of launching free trade agreements with Singapore, Israel, India, Egypt, and of unifying the trade regime with Serbia are being negotiated. In general, more than 50 countries demonstrate interest in cooperation with the EAEU in different formats.

The EAEU member states have a great potential in the leading sectors of the economy. The EAEU ranks first in the world in oil and natural gas production, second in the production of mineral fertilizers and the length of railways, third in the production of wheat and potatoes, iron production, fourth in the production of electricity and meat, and fifth in the total length of roads and steel production.

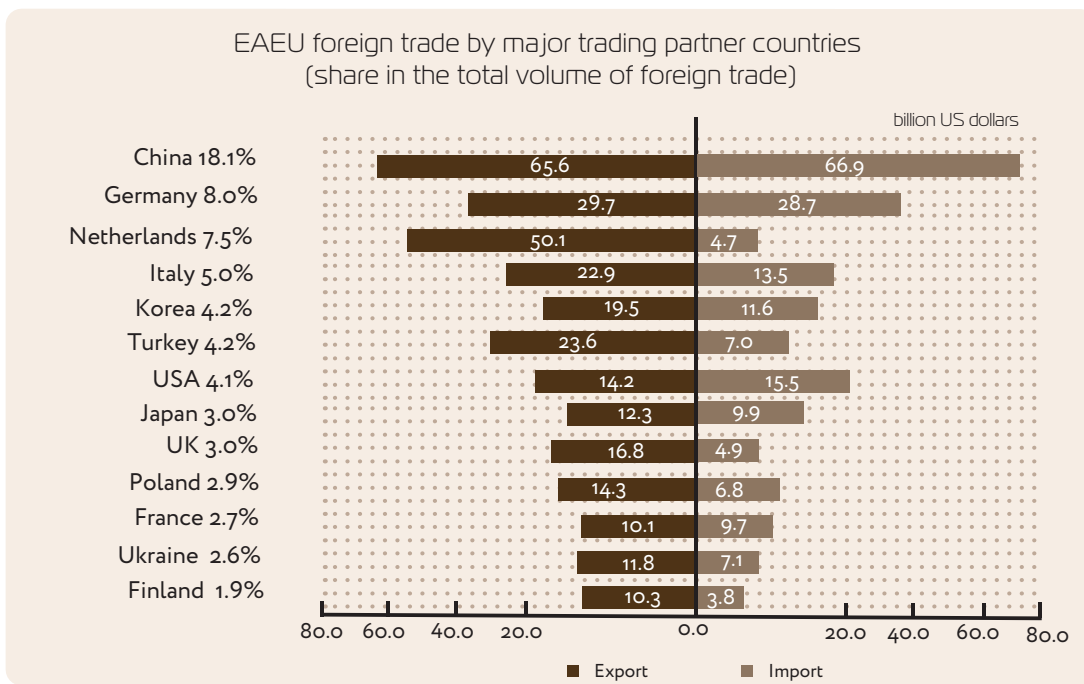
In 2019, the EAEU as a whole revealed positive dynamics of the main socio-economic indicators.

EAEU main economic indicators (as a percentage of the corresponding period of the previous year)



## Foreign trade in goods of the Eurasian Economic Union:

In 2019, the total volume of foreign trade in goods of the EAEU member states with third countries amounted to 733.1 billion US dollars, including exports of goods – 459.3 billion US dollars and imports – 273.8 billion US dollars.



In 2019, trade turnover of the Republic of Belarus with the EAEU member states amounted to 36.7 billion US dollars, including exports of goods – 14.5 billion US dollars and imports of goods – 22.2 billion US dollars.

The share of the EAEU countries accounted for 44.2% of the total export volume of the Republic of Belarus in 2019 (in 2018 – 41.1%), of which the Russian Federation accounted for 41.2% (38.3% in 2018).

The value of exports to the Russian Federation increased for all product groups, with the exception of energy products. Foreign trade in services of the Republic of Belarus with the EAEU member states amounted to 4.0 billion US dollars in 2019 (exports of services – 2.3 billion US dollars, imports of services – 1.7 billion US dollars).

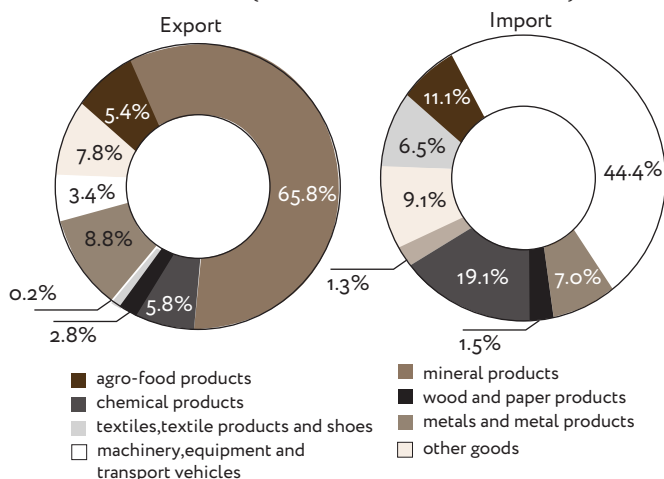
The share of the EAEU countries accounted for 23.8% of the total export of services of the Republic of Belarus in 2019, of which the Russian Federation accounted for 22.1%.

The creation of the Union allows member states to coordinate their industrial policies so as not to duplicate production, as well as to organize production chains and supply components for joint production.

The Agreement on the EAEU provides that the formation of the EAEU common market will be implemented step by step in some of the most sensitive sectors of economy. In particular, the common market of drugs and medicine devices started operating at the end of 2016, the common markets of electricity, oil and gas will come into operation not later than in 2025.

The Heads of States have approved the Priority Directions for implementation of the Digital Agenda of the Eurasian Economic Union for the period till 2025. The Action Plan ("road map") for implementation of the Priority Directions and Stages of carrying out coordinated (agreed) transportation policy by the EAEU States for 2018-2020 has been adopted.

Commodity structure of exports and imports in foreign trade in 2019 (in % of the total for the EAEU)




## Participation of the Republic of Belarus in the EAEU opens up advanced opportunities for foreign investors:

- ① free movement of both domestic goods and goods from third countries within the common market of the Union;
- ② common customs tariff and non-tariff regulation in trade with third countries to protect the interests of domestic producers, including foreign investment enterprises;
- ③ relief from customs duty on the importation of manufacturing equipment, raw materials to implement investment projects (in case such raw materials are not produced in the member states);
- ④ tariff preferences for the goods imported from third countries as a contribution to the statutory fund of a company;
- ⑤ free access to the large common market of goods and services of the EAEU for foreign investors who invest in Belarus;
- ⑥ effective logistics projects with access to the EAEU and the EU markets due to the favorable geographical location of Belarus;
- ⑦ legal guarantees for investors, including the right to reparation 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;
- ⑧ 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 product" and a unified marking of the EAEU products, exhibition and trade fair activities, advertising and image promotion activities abroad;
- ⑨ 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.



## 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 steady progress.

The diplomatic relations between Belarus and the EU were established in August 1992. In March 1995, a Partnership and Cooperation Agreement was signed between Belarus and the EU in Brussels.

The European Commission opened its diplomatic mission in Minsk (as of December 2009 – the Delegation of the European Union). In 2009, Belarus became a full-fledged participant of the EU Eastern Partnership Initiative.

In 2016 Belarus – EU relations made a big stride ahead. WTO accession talks resumed between Belarus and the EU. A joint Coordination Group was launched as a new framework for a structured comprehensive dialogue on the entire spectrum of bilateral cooperation between Belarus and the European Union (the first meeting was held on April 6-7, 2016 in Brussels).

Belarus and the EU negotiate bilateral Partnership Priorities for 2017 – 2020 covering four thematic strands: strengthening institutions and good governance; economic development and market opportunities; connectivity, energy, environment and climate action; mobility and people-to-people contacts.

In September 2016, the EU supported a new 2016 – 2019 European Bank for Reconstruction and Development (EBRD) country strategy for Belarus empowering the Bank to fully extend its activities to the public sector.

The EU authorized the start of the European Investment Bank's (EIB) activity in Belarus. On 9 August 2017, a Belarus – EIB Framework Agreement came into effect. A number of large-scale infrastructural projects were considered for funding by the EIB and the EBRD.

Beginning on 2016, annual country allocations for Belarus under the European Neighbourhood Instrument doubled up to 27 million euro. The funds are used to modernize border and customs infrastructure, exchange experience and implement pilot projects in energy, transport, agricultural, environmental, educational, cultural and other areas.

In 2016, Belarus and the EU staged together for the first time a Belarusian Investment Forum in Vienna. On 27 October 2017, a Belarus – European Economic Forum took place in Luxembourg in the same format.

Negotiations on the Belarus – EU visa facilitation and readmission agreements are at the final stage.

Bilateral sectoral dialogues are ongoing between Belarus' line ministries and the European Commission in such areas as economy and finance, environment, trade and customs. A human rights dialogue is under way.

The cooperation on border management and energy matters is governed by the 2009 Memorandum on launching practical cooperation between the State Border Committee of Belarus and the FRONTEX agency for cooperation at external EU borders and the Declaration on cooperation between the Government of Belarus and the European Commission in the energy field. Belarus joined the European Higher Education Area (the Bologna Process) and became an observer in the Northern Dimension.

In October 2016, Belarus, the EU and seven of its Member States (Bulgaria, Hungary, Latvia, Lithuania, Poland, Romania, Finland) signed a Mobility Partnership Declaration. A list of joint projects is currently being compiled for implementation under the Mobility Partnership.

Belarus is an active stakeholder in the EU Eastern Partnership multilateral cooperation framework.

Belarusian representatives contribute to the activities of all four multilateral platforms of the Eastern Partnership (EaP) ("Democracy, Good Governance and Stability", "Economic Integration and Approximation with EU Sectoral Policies", "Energy Security" and "Contacts between People"), its panels and flagship initiatives.

In cooperation with other countries Belarus promotes development of specific projects aimed at improving energy and transport interconnections, strengthening regional energy security, countering environmental risks, reinforcing border security, and raising the efficiency of customs measures to facilitate trade between the EU and its Partner States.

Following Belarus' proposal, an EaP Business Forum was launched in 2011 and an EaP Panel on Digital Markets Harmonization in 2015 as platforms for dialogue and cooperation among business communities and economic institutions of the Eastern Partners and the EU.

Belarus participates in EU-funded Poland – Belarus – Ukraine and Latvia – Lithuania – Belarus Cross-Border Cooperation (CBC) Programmes.

In 2007 – 2013 several dozens of projects worth 50 million euro were implemented in Belarus under these two instruments. The aggregate budget of the Programmes for 2014 – 2020 is 280 million euro which are available to Belarus through calls of proposals.

Belarus also actively participates in the EU thematic programmes TEMPUS, Erasmus+, TAIEX etc.

# BELARUS-EU ECONOMIC COOPERATION

Mutual interests of Belarus and the EU member states are based first of all on economic cooperation

The EU remains one of the major trade partners, as well as an important source of credit resources and investment. Belarus is geographically and mentally close to investors from Western Europe. Belarus and the EU have a high potential for developing economic cooperation by means of an increase in mutual trade volume, capital, transfers and investments outflow.

A more harmonized national system of standards with the EU norms and regulations is key to better access of Belarusian goods to the European market.

In 2019, the trade turnover between Belarus and the EU reached 15.7 billion US dollars. Exports amounted to 8.4 billion US dollars, imports - 7.3 billion US dollars. The EU countries accounted for 25.5% of the Republic's total exports in 2019. In 2019, the main trading partners of the Republic of Belarus were as follows: Germany – 4.2%, Poland and the United Kingdom of Great Britain and Northern Ireland – 3.6% each, Lithuania – 2%, the Netherlands – 1.7%.

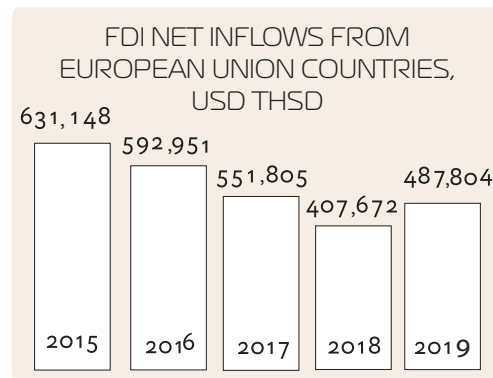
Foreign trade in services with the EU countries in 2019 amounted to 6.7 billion US dollars. Exports of services reached 4.3 billion US dollars, imports of services - 2.4 billion US dollars. In 2019, the EU countries accounted for 44.7% of total Belarusian exports of services.

A priority seen by Belarus in the cooperation with the EU countries is raising European investments to the research-intensive and high-tech sectors, agriculture, energy efficiency, alternative energy and transit areas.

About a half of all foreign investment brought into the economy of the Republic of Belarus comes from the European countries. In 2019, the investments from the EU countries amounted to \$4.22 billion, of which direct investments - \$3.44 billion, net direct investments - \$0.49 billion (+ 20% compared to 2018). Leading investors to the Belarusian economy are the Cyprus, the Netherlands, the United Kingdom, Germany, Lithuania, Poland, Latvia, Austria, Estonia.

Regular investment forums organized by the Belarusian Government in the recent years are an important way of advertising business opportunities of the Republic to the international community and attracting foreign investments to the country.

As of April 2020, in the result of the investment attraction policy conducted, there are 2,151 investment agreements with an investment volume of \$42.29 billion registered in the State Register of Investment Agreements with the Republic of Belarus, including 298 running agreements with an investment volume of \$18.34 billion.



Turnover

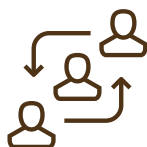
Export

Import

Balance



## 5.4 BELARUS-CHINA: TOWARDS THE NEW LEVEL OF COOPERATION



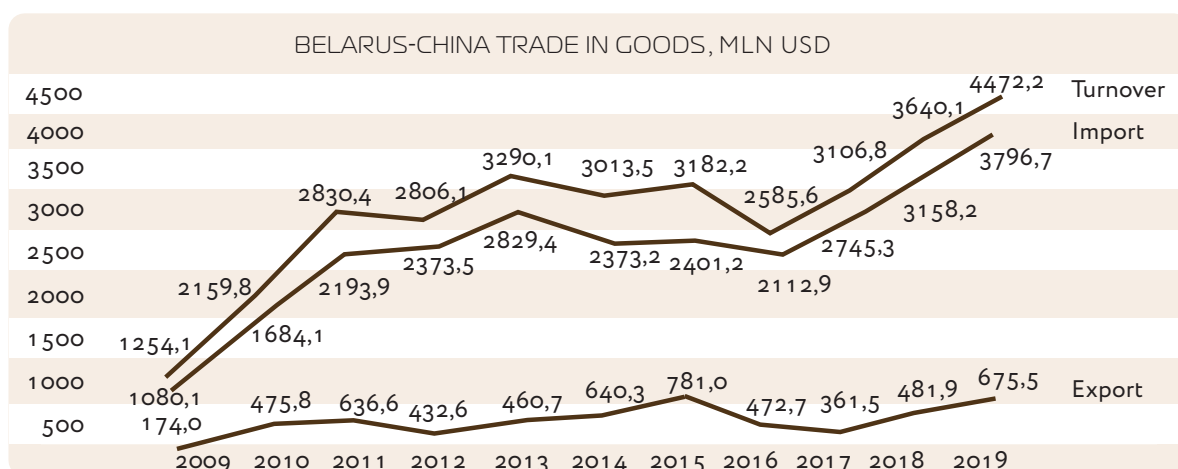
The high level of Belarusian-Chinese political relations serves as a solid basis for the development of bilateral trade ties.

China is one of the most important trade and economic partners of Belarus. At the end of 2019, China was ranked third among the world's countries in terms of goods turnover, ninth — in terms of export turnover, second — in terms of import turnover to Belarus.

In 2019 the trade turnover between Belarus and China (including Hong Kong, Macau and Taiwan) amounted to 4.5 billion US dollars (123,3 percent to 2018), the volume of Belarusian export was 675.5 million US dollars (140.2 percent to 2018), the import was 3.79 billion US dollars (120.7 percent to 2018). The balance was negative (3 121 million US dollars).

In the near future, from the point of view of China's national interests, the most popular products will be high-performance intelligent equipment, vehicles, food and medical equipment.

This bilateral investment cooperation is the core of the Belarusian-Chinese economic relations, with the volume of Chinese investments in the Belarusian economy constantly growing. According to the National Statistical Committee of the Republic of Belarus, in January-December 2019, the Republic of Belarus received 162.2 million US dollars of investment from the People's Republic of China, of which on a net basis (excluding debt to direct investor for goods, work, services) 101.6 million US dollars.

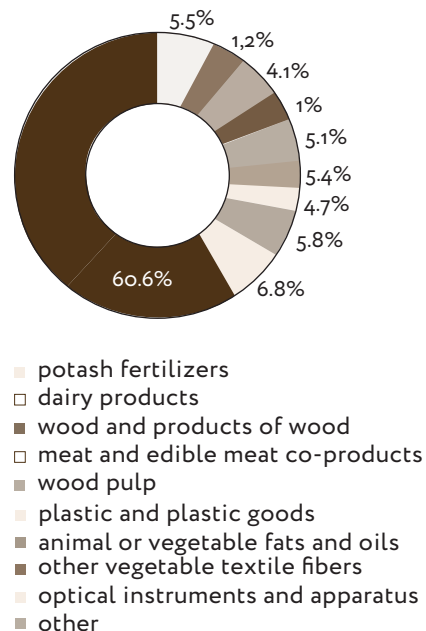




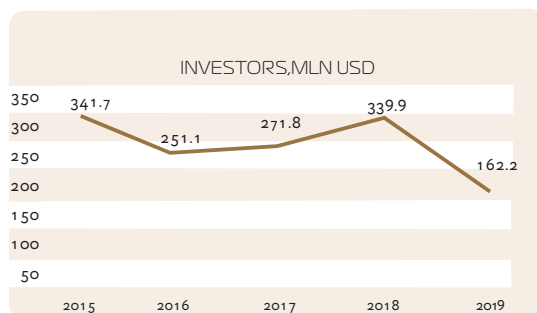
Based on demand trends and existing restrictions, food products made primarily from local raw materials have significant export potential. Belarus actively supplies meat and dairy products to the Chinese market. In the structure of Belarusian exports to China, dairy products are represented in all groups of 4 signs of section 1 "Live animals and animal products": milk and cream, not concentrated nor containing added sugar or other sweetening matter (HS code 0401), milk and cream, concentrated or containing added sugar or other sweetening matter (HS code 0402), buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream (HS code 0403), whey (HS code 0404), butter (HS code 0405), cheeses and curd (HS code 0406).

Compared to 2018, the volume of exports increased by 1.4 times. The structure of exports to China is poorly diversified.

Structure of Belarusian exports to China, 2019



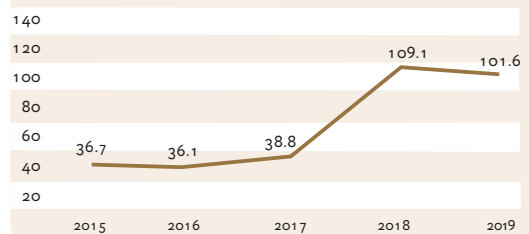
INVESTMENT RECEIVED FROM CHINA, MLN USD



The share of China (including Hong Kong and Taiwan) in the total volume of foreign direct investment to Belarus amounted to 10.5% in 2019, trailing only Cyprus and the Russian Federation.

As of the beginning of 2019, 126 companies with Chinese investments were registered in Belarus: 37 joint ventures and 89 with Chinese capital. For comparison, by the beginning of 2018, 90 companies with Chinese investments were registered in Belarus: 28 joint ventures and 62 with Chinese capital.

FOREIGN DIRECT INVESTMENT FROM CHINA, MLN USD



As of April 16, 2020, in the State Register of Investment Agreements with the Republic of Belarus there are 11 investment agreements registered worth about 719.75 million US dollars, in which one of the parties are investors from China. Also there are 6 investment agreements with organizations-residents of the Republic of Belarus registered worth 638.49 million US dollars, the founders of which are legal entities and (or) individuals of China.

A developed contractual legal framework for cooperation has been established between the Republic of Belarus and the People's Republic of China. More than 80 contracts have been signed. The most important are the joint declaration of Belarus and China on the establishment of trustworthy all-round strategic partnership and mutually beneficial cooperation,

as well as agreements on trade and economic cooperation, on avoiding double taxation, on encouraging and mutual protection of investments.

On June 5, 2012, the Decree of the President of the Republic of Belarus No. 253 "On the establishment of the Chinese-Belarusian industrial Park "Great Stone" was signed. The Great Stone Industrial Park is a special economic zone in Belarus created within the framework of the Chinese-Belarusian intergovernmental cooperation.

The Industrial Park is located in the Smolevichi district of the Minsk region, 25 km from the capital of the Republic of Belarus, Minsk, and covers an area of 112.5 square km. The Park's favorable geographical location arises from its close proximity to the Minsk International Airport, to the railway and to the Berlin-Moscow transnational highway, as well as from an access to the Klaipeda port on the Baltic sea coast at a distance of 500 km. The Industrial Park unlocks the potential of Belarus as a connecting link among the countries of Europe, Russia and Asia, and also provides free access to the market of the Eurasian Economic Union (Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan) with a total capacity of 183 million people. In the territory of the Park it is planned to build industrial and residential zones, office, shopping and entertainment complexes, financial and research centers.

As of the beginning of 2020, 63 residents from 15 countries with an average staff number of 782 people were registered in the Chinese-Belarusian industrial Park "Great Stone" (including Industrial Park Development Company, CJSC). By the beginning of 2020, the volume of direct investments received from foreign investors amounted to 115.6 million US dollars.

Priority areas of investment cooperation are:

- mechanical engineering
- electronics and telecommunications
- fine chemistry
- biotechnologies
- new material
- logistics
- pharmaceuticals, etc.

The Park has three-level management structure:

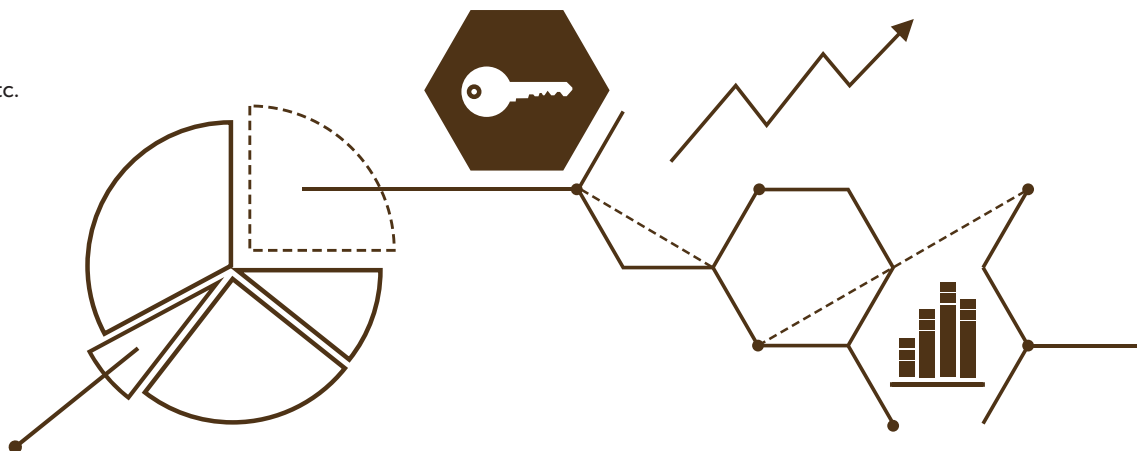
- Intergovernmental Coordination Council (the superior body, exercising strategic management and solving the issues that require participation of both Belarusian and Chinese sides);
- Industrial Park Administration (state institution, established by the Council of Ministers of the Republic of Belarus, servicing residents and investors on the basis of "one-stop shop" principle).
- Industrial Park Development Company, CJSC (established by Belarusian and Chinese founders, responsible for attraction of investors, design and construction of the Park infrastructure).

The Great Stone has a great potential in the field of logistics. The project to create a trade and logistics sub-Park is being implemented by the largest resident of the Park, ZAO China Merchants CHN-BLR Commerce and Logistics Company. In April 2018, Duisburger Hafen AG, the managing company of the largest river port globally in Duisburg, became a shareholder of "Industrial Park Development Company". With its participation, the construction of a multi-modal railway terminal will be carried out in the Park.

The Park is also developing as a center of science and innovation. Currently, an innovative center for commercialization of scientific and technical achievements is being built.

The purpose of the Industrial Park is to provide the most comfortable conditions for the development of modern production facilities. The major part of the Park's territory is engaged in the development of its industrial and logistics potential.

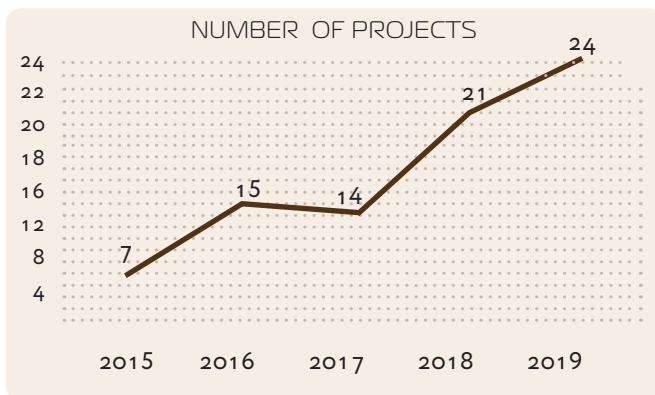
The rest of the territory is intended for commercial and social industries. Another goal of the "Great stone" is to bring the cooperation between the state and private business to a qualitatively new level. For this purpose, the Park is developing a social infrastructure that will use the mechanism of public-private partnership.



## 5.5 INTERNATIONAL ECONOMIC ORGANIZATIONS

In the area of business and infrastructure development, significant financial support is provided by international financial organizations.

The Republic of Belarus is actively developing cooperation with different international institutions and bilateral development funds.

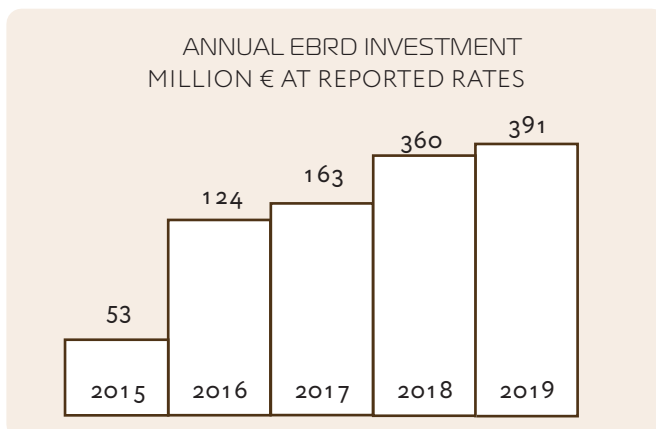


### THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The Republic of Belarus has been a member of the European Bank for Reconstruction and Development since 1992. During the period of its activity in Belarus, the EBRD participated in 126 projects. The cumulative EBRD investments to Belarus are estimated at €2,746 million. 70 % of all the investments are granted to the private sector.

In 2019, the Republic of Belarus entered into 24 project agreements with the EBRD amounting to 391 million euros, which exceeds the volume of operations in 2018 (21 project and 360 million euros).

A number of investment projects in the field of housing, utilities and transport infrastructure are being implemented in partnership with the EBRD as a part of the joint focus to improve the sustainability and quality of public infrastructure services. In 2019, 3 loan agreements were contracted with the EBRD totalling 301.3 million euros provided to the Republic of Belarus.



### THE WORLD BANK

Belarus joined the World Bank Group in 1992: International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for Settlement of Investment Disputes (ICSID).

For more than 25 years of cooperation, the World Bank has invested about \$ 1.9 billion in Belarusian economy, including the development of social, transport, housing and other infrastructure. Currently, the World Bank's investment portfolio in the Republic of Belarus includes nine projects totaling 942.7 million US dollars.



INVESTMENTS FROM IFC			
Financial Year	Project	IFC financing (\$)	Description
2015	Alutech	15 € million	To help strengthen and diversify its business and boost Belarus' sector growth
2015	A-100 Development Group	20 € million	For the development of four real estate properties with a total built area of 80000 m <sup>2</sup> in Minsk and Minsk region
2015	Strominvest	17 € million	For the 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

#### THE INTERNATIONAL FINANCING ORGANISATION (IFC)

The Republic of Belarus has been a member of the International Finance Corporation since 1992. In the Republic of Belarus, IFC provides both financial support to private sector organizations and advice to the Government of the Republic of Belarus on private sector development, improving the business environment, and supporting small and medium-sized enterprises. Since 1992, the IFC has financed 62 investment projects in the Republic of Belarus with a total cost of about 845 million US dollars.

In 2019, a number of agreements with the IFC were executed aimed at providing advisory support to public administration.

On June 5, 2019, the Ministry of Economy of the Republic of Belarus and the IFC signed a Cooperation Agreement defining priority areas of cooperation: promotion of small and medium-sized businesses; improvement of business regulation; organization of conferences, seminars and other events in the field of economic and business development.

The ability of the IFC to promote private sector growth in its member countries depends primarily on the country's macroeconomic situation and the profitability and reliability of its investments. In addition to investment activities, the IFC provides consulting services, including structuring various types of transactions (privatization, public-private partnership).

#### THE EUROPEAN INVESTMENT BANK (EIB)

On May 15, 2017, a Framework Agreement was signed between Belarus and the European Investment Bank, regulating the Bank's activities in the Republic of Belarus.

Within the period 2018 – 2019, the total amount of credit funds allocated by the EIB amounted to 530.0 million euros. In 2019, agreements with the EIB were signed for a total amount of 266 million euros, which were provided to the Republic of Belarus for implementation of infrastructure and public sector projects.

In addition, the EIB continued to support small and medium-sized businesses by providing credit resources to Belarusian banks. In particular, the EIB has approved the provision of 125 million euros for lending to small and medium-sized businesses. As of 01.01.2020, the active investment portfolio of the EIB amounted to 530 million euros.

# Legal Environment for Foreign Investment



## 6.1 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.



### 6.1.1 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.



### 6.1.2 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 organisation.

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.

Investment agreements may be concluded (and benefits provided) only in respect to projects implemented in priority sectors of economy identified by the Council of Ministers. Currently, the sectors are, inter alia: information and communication technologies, logistics, reconstruction and equipping of state border entry points, grain processing, metallurgy, mechanical engineering, production of electrical, optical, and mechanical, home appliances and electronics, sugar and confectionery production, canning industry, provision of public services, processing of secondary material resources.

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.

Investors initiate an investment agreement with the authority responsible for a certain region, enterprise or industry – normally, a municipal authority, a ministry, or a state organisation. If the draft investment agreement provides benefits or exemptions, the respective authority negotiates the contents of the agreement with the investor and circulates the draft among other interested state authorities such as the Ministry of Economy (pricing issues), the Ministry of Taxes and Duties (tax exemptions), the Ministry of Justice (legal clarity and compliance of the agreement with local laws). Negotiations and approval of the draft by all interested authorities may take several months.



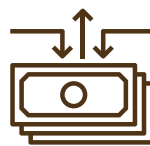
### 6.1.3 CONCESSION AGREEMENTS

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 possible for strategically significant objects or if information about the object is a state secret by the decision of the President of the Republic of Belarus. The official list of objects offered for concession as of June 2018 includes 15 objects, inter alia, chalk, clay, and oil shale deposits, etc. This list is actual nowadays.



### 6.1.4 INVESTMENT ACTIVITY IN SMALL TOWNS

Since 1 July 2012, companies and individual entrepreneurs operating in all rural areas and

towns\* enjoy the following main benefits within seven years after registration:

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

- 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; 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 (High Technology Park, Industrial Park "Great Stone", August Channel) and certain other businesses.



#### 6.1.5 FREE ECONOMIC ZONES (FEZs)

At present, Belarus has six FEZs (one for each oblast (region) administrative centre, including Minsk). As of 1 January 2020, 421 entities were registered as FEZ residents.

In order to become a FEZ resident, an investor needs to meet certain criteria, such as:

- minimal investment of EUR 1 million or EUR 0.5 million provided that the investments are made within 3 years since the moment of concluding an agreement on the order of activities in FEZ; and
- FEZ residents should produce within FEZ territory import-substituting goods or goods oriented for export.

FEZ residents enjoy the following main tax benefits:

- exemption from profit tax for selling goods of own production, provided that the goods (work, services) produced are either exported from Belarus or sold to other FEZ residents;
- exemption from payment of customs duties and taxes and from non-tariff regulation measures in relation to foreign goods imported into the territory of FEZ;
- exemption from compensation payments of value of removed plants in case of construction of objects provided in the investment project within the boundaries of FEZ;
- exemptions from land tax for any land plot within the FEZ territory in case the resident sells goods under special FEZ tax regime, as well as for the land plots within the FEZ territory until commissioning of the last object constructed on these land plots, but not longer than five years after the registration as a FEZ resident; and

- exemption from real estate tax for buildings located within the FEZ territory in case the resident sells goods under special FEZ tax regime, as well as for buildings within the FEZ territory within 3 years of the registration as a FEZ resident (except for buildings in lease or other compensated or uncompensated use).

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 banks, insurance companies, and businesses in the area of catering, gambling, interactive electronic games, trade, and securities.



#### 6.1.6 GREAT STONE 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 11,000 hectares in the south-western part of Smolevichi district (close to "Minsk-2" national airport).

Today, the Industrial Park is an international platform for creating high-tech industries in advanced fields of activity designed to give impetus to the development of the entire economy of the country, create high-performance jobs, and attract innovative technologies. In the Industrial Park, a special regime applies to taxation, customs, administrative and other regulations. 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 or Belarus only. The priority industries expected to develop in the Industrial Park are electronics, pharmaceuticals, biomedicine, chemicals, mechanical engineering, logistics, big data, R&D, and some other. The amount of investment shall equal to USD 5 million, for R&D activities – USD 0.5 million. The same amount of USD 0.5 million applies to investments, which are made within 3 years since the moment of concluding an agreement on the order of activities in the Industrial Park.

It is also possible to obtain a status of an investor of the Industrial Park without registering as a resident. The investor status allows to receive land plots on the territory of the Industrial Park in order to finance construction or equipment of the objects on these land plots.

Industrial Park residents enjoy the following benefits:

- exemption from income tax on proceeds from sale of goods (work, services) of own production manufactured in the Industrial Park for ten years from the date of registration as residents; afterwards the rate of income tax is reduced by 50%;
- 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;
- 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;
- 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 similar to those adopted in China and EU 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.



#### 6.1.7 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. According to Decree of the President of 21 December 2017 No. 8 (Decree No. 8) the special regime of the HTP was prolonged up to 2049.

Decree No. 8 also introduced regulations of cryptocurrencies and tokens, as well as related activities, like mining and ICO. Until 2023 activities with cryptocurrencies and tokens are subject to wide tax and foreign currency benefits, including full exemption from the company income tax, personal income tax, VAT, tax under simplified taxation system, and some other benefits.

Moreover, on November 30, 2018 Supervisory Council of the HTP approved the Regulations on token-related activities, in particular:

- Regulations on the requirements to be met by certain applicants for their registration as residents of the HTP;
- Regulations on the activity of a cryptoplatform operator;
- Regulations on the activity of a cryptocurrency exchange office operator;
- Regulations on provision of services related to the creation and placement of digital tokens (tokens) and carrying out of operations on the creation and placement of own digital tokens (tokens);
- Regulations on the requirements for the internal control rules of residents of the HTP.

Unofficial translation of the relevant regulations into the English language may be found on the official web page of HTP (<http://www.park.by/post-2225/?lng=en/>). In addition, under Decree No. 8 the HTP has become a testing ground for approbation of some international legal mechanisms, like non-compete and non-solicitation agreements, convertible loan, option agreement, indemnification agreement, investment partnership agreement, irrevocable power of attorney. In future the listed mechanisms may be incorporated into general civil regulations of Belarus.

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

- 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.
- Several additional types of activities were also introduced by Decree No. 8, including activities related to AI, self-driving cars development, cybersport, IT education, etc.

HTP residents enjoy the following main tax benefits:

- generally, exemption from profit tax and VAT related to HTP activities;
- WHT at the rate of 5 % for dividends, and 0% for interests and royalties from HTP residents;
- 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.

Furthermore, certain exemptions concern personal income tax paid by employees in HTP, and social security payments. Foreign legal entities also enjoy benefits as to taxation of dividends, interest and royalties from HTP residents. These types of income are taxed at the rate of 5%, unless more favourable conditions are set by international agreements.



#### 6.1.8 SOUTH-EAST REGION OF MOGILEV OBLAST (SER)

On 8 June 2015, Presidential Decree No. 235 "On Social and Economic Development of South-East Region of Mogilev Oblast" introduced a set of measures for development of SER territory, that comprises Krichev, Klimovich, Kransopolije, Kostiukevichi, Slavgorod, Cherikov, and Hotimsk districts of Mogilev oblast'. These measures include preferential regime for business entities and individual entrepreneurs, registered on the territory of SER from 1 June 2015 to 31 December 2020.

Business entities and individual entrepreneurs registered on the territory of SER enjoy the following benefits:

- personal income tax at the reduced rate of 10% in regard to remuneration under employment agreements (contracts) for the period of 7 years after the employer starts to produce goods, perform works, or render services on SER territory;
- social security contributions by employers at the reduced rate of 24% for the period of 7 years after the employer starts to produce goods, perform works, or render services on SER territory.





#### 6.1.9 ORSHA DISTRICT OF VITEBSK OBLAST

According to Presidential Decree No. 506 dated 31 December 2018 "On Development of Orsha District of Vitebsk Oblast", business entities that carry out their activities in the territory of Orsha district are subject to an impressive set of preferences. The main of them include the following:

- exemption from a number of restrictions for applying the simplified taxation system, as well as lower tax rates under this system: 1% of the turnover from sale of goods of own production, 2% of the turnover from performing own works or rendering own services;
- exemption from VAT in relation to certain types of imported machinery and equipment that are subject to 0% customs duty;
- full VAT refund for developers in regard to the goods, works, and services used for constructing and equipping facilities in the Orsha district;
- the right to apply investment tax refund in the amount of up to 30% of the initial cost of buildings and constructions located in Orsha district (or investments in their reconstruction), as well as similar deduction in regard to machinery, equipment, and vehicles used in commercial activities in Orsha district, but in the amount of up to 50% of initial costs or investments in reconstruction.
- exemption from payment of default interest for delayed performance of tax obligations;
- preferential 24% rate of social security contributions by employers;
- exemption from several mandatory requirements to foreign trade operations, including the terms of their completion;
- lower annual rental payments for the land lots (calculated based on cadastral value of the land plot with 0.0025 instead of default 0.032 – 0.5 coefficients);

- right to apply EU, EAEU, and China construction and technical rules without adaptation to the Belarusian standards;
- exemption from payment of state fee for issuance of special labour permits;
- exemption from recovery of losses of forestry production for implementation of projects creating (extending) production sphere;
- financial support of small and medium-sized entrepreneurship at the cost of Oblast' budget.



#### 6.1.10 SPECIAL ECONOMIC ZONE IN MULTIMODAL INDUSTRIAL LOGISTIC CENTER "BREMINO-ORSHA" (SEZ)

Multimodal Industrial Logistic Center "Bremino-Orsha" is a special industrial and logistics project in Orsha district implemented under the Presidential Decree No. 334 dated 21.07.2015.

The project received further support from the government and substantive preferences for SEZ residents were introduced by Presidential Decree dated 21 March 2019 No. 106 "On creation of Special Economic zone "Bremino-Orsha". Upon the requirements of the Presidential Decree, SEZ residents have to declare amount of investments not less than USD 5 million (or USD 500,000 under the condition of investment within 3 years or for implementation of research and development project) in implementation of projects in such spheres as manufacturing, e-Commerce, logistics and transport, postal services, activities in the field of information services, research and development. Upon approval of the President, investment projects may also relate to production of food products, light industry, household appliances, wholesale trade. SEZ residents will enjoy such main benefits as:

- exemption from CIT for 9 years from the first tax period in which gross profit arose;
- deduction of full VAT on construction and equipment of facilities, exemption from VAT on sale, leasing (leasing) to residents of real estate by January 1, 2033;

- exemption from personal income tax, dividend tax and equivalent income within 5 years from the date of declaration of profit (for founders of resident companies and joint ventures);
- exemption from real estate tax on objects of taxation in the SEZ, regardless of the purpose of their use, for the period of 20 years;
- exemption from payment of import customs duties, taxes in case of import of goods (technological equipment, components and spare parts, raw materials) for implementation of the investment project in the SEZ;
- exemption from customs VAT in relation to vehicles for transportation of goods, tractors, trailers, aircraft, railway trains not produced in Belarus, until 31 December 2023.



#### 6.1.11 PUBLIC-PRIVATE PARTNERSHIP (PPP) OPPORTUNITIES

PPP in Belarus is regulated by the Law on Public-Private Partnership that came into force on 2 July 2016.

According to it arrangements between the state (state partner) and a private business (private partner) are formalised with PPP agreements, conclusion of which becomes possible as a result of a bidding procedure organised by state authorities.

In 2018, the Law on Public-Private Partnership was amended to clarify the bidding procedure, as well as some other issue, including rights and guarantees of private partner. It also introduced a mandatory requirement that only a commercial entity of the Republic of Belarus can be a private partner. At the same time, a foreign investor is still entitled to participate in the bidding process, though, in case it is chosen to implement the PPP project, it will have to establish a company in Belarus.

Within PPP, a private partner undertakes obligations of creation and/or modernisation of an infrastructure object, its technical servicing and (or) operation. In order to ensure performance of obligations by a private partner, the infrastructure objects can be transferred into its possession, use (including free of charge use), and land plots underlying the objects can be transferred to the private partner for lease, permanent or temporary use. Private partners are entitled to receiving state budget financing, as well as full or partial financing of their obligations on their own.

In addition to the above the following guarantees of private partners' rights are provided:

- general guarantees offered to investors;
  - non-interference into the activity of a private partner except for the cases provided in PPP agreements, legal acts, or in situations calling for protection of national security, public order, morality, health of the population, rights and freedoms of third parties;
  - guarantee of state financing, if provided under the PPP agreement;
  - guarantee of independent choice of suppliers
  - protection of property and other rights.
- Besides PPP agreements, it is possible to enter into an agreement on cooperation. The latter can be concluded between a state partner, a private partner, creditors of the private partner and (or) other parties to regulate terms and conditions of their cooperation within implementation of PPP project.

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, Bangladesh, Belgium-Luxembourg Economic Union, Bosnia and Herzegovina, Bulgaria, Cambodia, China, Croatia, Cuba, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Iran, Iraq, Israel, Italy, Jordan, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Libya, Lithuania, Macedonia, Mexico, Moldova, Mongolia, the Netherlands, North Korea, Oman, Pakistan, Poland, Qatar, Romania, Saudi Arabia, Serbia, South Korea, Singapore, Slovakia, Spain, Sweden, Switzerland, Syria, Sudan, Tajikistan, Turkey, Turkmenistan, the Ukraine, United Arab Emirates, the United Kingdom, the United States of America, Venezuela, Vietnam, and Yemen.

#### 6.1.12 BILATERAL INVESTMENT TREATIES

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;
- 2014 Agreement on the Eurasian Economic Union (with Annexes).



## 6.2 CORPORATE LAW: SETTING UP A BUSINESS IN BELARUS MAIN ORGANISATIONAL AND LEGAL FORMS \*

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.

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.

Starting from the September 3, 2018 representative offices of foreign company are accredited by regional executive committees.

\*For the purpose of this and subsequent sections the amount in euro has been calculated on the basis of the following rate: EUR 1 = BYN 2.60. From 1 January 2020 the amount of the basic unit is equal to BYN 27. The government may adjust the amount of the basic unit from time to time depending on the economic situation in Belarus.

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 (EUR 675) for each year when the permit to establish

representative office in Belarus is effective. The number of foreign employees of a representative office is limited to five.

Permit to establish a representative office is issued within 30 days after filing the necessary documents. Outstanding procedures after the issuance of the permit 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.

## COMMERCIAL LEGAL ENTITY

### (A) FORMS AND TYPES OF COMMERCIAL LEGAL ENTITY

The most common forms of commercial legal entity in Belarus are joint stock companies, limited liability companies, and unitary enterprises.

A Joint Stock Company (JSC) under Belarusian law is a commercial company founded by one 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 / decrease in their nominal value also require registration. Unless performed via the Belarusian Currency and Stock Exchange, transactions with shares in a JSC must in most cases be registered with professional operators in the securities market (specialised licensed companies).

Under Belarusian law, a JSC can be of two types: open or closed. Shares in an open JSC may be sold freely to any person without the consent of other shareholders. In a closed JSC, shareholders have a pre-emptive right to acquire shares offered, or under its articles or shareholders' decision shares may be sold only to a limited range of persons. A closed JSC cannot offer its shares for public subscription.

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. An LLC is founded by one or more individuals / legal entities (any combination is possible). Shares in an 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 an LLC.

However, the shareholders may agree on a different correlation between participation interests, number of votes, and shares in profit. Shareholders in an LLC enjoy a pre-emptive right to purchase a participation interest in an 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 an LLC (except for the sole shareholder) 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
Unitary enterprise	1 kopek	Only one owner of assets	Authorised capital should be declared in BYN and fully paid within 12 months after state registration of the company
Limited liability company	1 kopek	Minimum one maximum 50	
Closed joint-stock company (CJSC)	100 basic units (approx EUR 1,040)	Minimum one Maximum 50	
Open joint-stock company (OJSC)	400 basic units (approx EUR 4,150)	Minimum one Maximum is unlimited	

## 6.2.2 MANAGEMENT

Management structures are specific for each legal form of company.

### (D)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. 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.

### (E)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 with the number of shareholders of more than 50. 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 Meeting is not created in commercial companies with one shareholder. The powers of the Meeting in such companies are exercised by the sole shareholder.

The company may be managed by a sole and / or collective executive body (the Director / Management Board) but

there may not be several managing directors equal in status. The company may have both a Management Board and Director. However, in that case their competence should be clearly distributed among the bodies and the Director should be elected in the capacity of a Chairman of the Management Board. 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 as a Director / member of the Management Board in any company. In this case the Director / member of the Management Board is obliged to obtain a work permit. 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. In addition, HTP residents are exempt from necessity to obtain work permits.

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

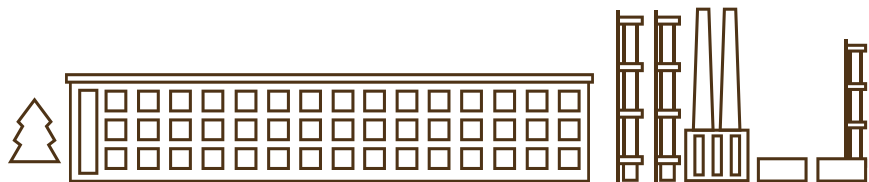
### 6.2.3 SHAREHOLDERS' AGREEMENT

Belarusian law provides possibility to conclude a shareholders' agreement (in JSC) and an agreement on the exercise of the rights of company shareholders (in LLC) (hereinafter 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.

#### 6.2.4 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 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.



## 6.3 PRIVATIZATION

The type of privatization 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 (<http://www.gki.gov.by/ru/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 of interest 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 interested and the state finds the conditions proposed by that investor interesting.

### 6.3.1 BECOMING CO-FOUNDER OF AN OPEN JOINT-STOCK COMPANY

Decisions on transformation of the state unitary enterprises into open joint stock companies are made on a case by case basis by competent state authorities. The State Property Committee or its local divisions, depending on the size of the unitary enterprise, which is to be transformed, 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.

### 6.3.2 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](http://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.

## 6.4 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 (the Ministry of Antimonopoly Regulation and Trade and the respective local subdivisions).

Under the effective Law the parties should apply to the antimonopoly authority for approval of an intended transaction with shares (participation interest) if the book value of the target's or acquirer's assets as of the latest reporting date exceeds 200,000 basic units (approx. EUR 2.1 mln), or the amount of proceeds from sales for the previous financial year exceeds 400,000 basic units (approx. EUR 4.15 mln), or acquirer and / or target included into the State Register of Business Entities holding Dominant position in the relevant market or the State Register of Natural Monopolies entities, in the following cases:

1. 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 more than 25% of shares (participation interest) in the target;  
b. the acquirer is a business entity holding a dominant position in that market.

2. 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.

3. 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.

4. Acquisition of control over a material number 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 had no right to dispose of the target's shares (participation interest) or had 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 had the right to dispose of more than 25% but not more than 50% of the target's shares (participation interest).

5. 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):

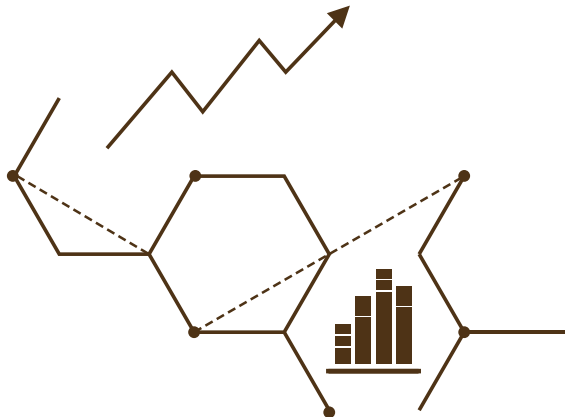
a. the targets operate in the market for interchangeable (similar) goods;  
b. the acquirer has an opportunity to set conditions for the targets' business activities;  
c. the acquirer is a business entity or an individual.

Starting from 3 August 2018 the Law on Counteracting Monopolistic Activity and Development of Competition established several additional cases in which the merger clearance is required:

6. Acquisition of the right to give mandatory orders in regard to the target's business activity or to perform functions of a management body of the target.
7. Conclusion of a simple partnership agreement (cooperative business agreement) on the territory of the Republic of Belarus (all of the following conditions should be met):
  - a. the parties to the agreement are individual entrepreneurs and/or business entities;
  - b. the parties to the agreement are competitors.
8. Acquisition of a title over a significant amount of property of a commercial entity (all of the following conditions should be met):
  - a. the acquired property is either fixed or intangible assets;
  - b. the acquired property is located on the territory of the Republic of Belarus;
  - c. the value of the acquired property exceeds 20% of total book value of the target's fixed and intangible assets;
  - d. the property is received into ownership, use, or possession.

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 transaction between foreign parties may be subject to Belarusian merger control if the transaction involves the direct transfer of shares in a Belarusian entity or it leads or may lead to prevention, restriction, or elimination of competition in the respective commodity markets of Belarus. In the latter case such affect may take place if the transaction involves indirect transfer of shares in a Belarusian entity, if a party to the transaction maintains a corporate presence in Belarus or operates (directly or indirectly) 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.



## 6.5 FINANCIAL REGULATION IN BELARUS



### 6.5.1 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. According to the Program on Social-Economic Development of the Republic of Belarus for 2016–2020 restrictions for opening bank accounts abroad are planned to be cancelled completely by 2020.

Foreign companies may open settlement accounts in Belarusian banks both in local currency and in foreign currency.

Pledges over Belarusian bank accounts are not available in Belarus, though certain contractual security instrument with respect to them may be considered.

Residents and non-residents may freely exchange currency through Belarusian banks regardless the purposes of such exchange. In order to exchange currency in foreign exchange markets, a Belarusian company (except for banks) needs to obtain a permit of the National Bank.

Starting from August 2018, Belarusian companies are not required anymore to sell any part of their income in foreign currency.



### 6.5.3 REQUIREMENTS FOR OBTAINING A LOAN FROM A NON-RESIDENT

Loan agreements concluded with non-residents are subject to registration with a Belarusian resident's servicing bank. Such registration is simple and straightforward procedure.

Interest-free loans received by residents from non-residents may be regarded as foreign gratuitous aid. Such aid is subject to burdensome registration procedure and may only be provided for a limited range of purposes.



### 6.5.2 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 BYN 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.

## 6.6 LEGAL STATUS OF LAND AND OTHER REAL ESTATE

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



### 6.6.1 REGISTRATION OF REAL ESTATE

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

Emergence, transfer, and termination of rights to and encumbrances on real estate as well as transactions with real estate require state registration (except for lease, sublease and free-usage transactions with buildings and structures and rights thereto). Real estate 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 on state registration and land cadaster (local agency). From 22 July 2018 a number of amendments to legislation regarding registration of real estate, rights thereto and transaction therewith have entered into force. The main one is the following:

- new form of applying for registration of real estate, rights thereto and transaction therewith is introduced: application can be made through authorised agents (e.g. advocates, realtors, notaries, etc.). Other forms of application are applying in person, through mail or by e-mailing electronic documents.

All information on registered real estate is available in the Unified State Register of Real Estate, Rights thereto and Transactions therewith (the Real Estate Register). Registration data are open for public access.

Any person may request information (including information on ownership and other rights) on specific real estate object by its address and/or inventory/cadastral number. However, only title holders, their successors, government authorities and, in certain cases, notaries and advocates may access a list of all real estate objects belonging to a particular individual or legal entity.

### 6.6.2 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 ownership;
- right of permanent use;
- right of temporary use;
- right of lease (predominantly used title).

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 entities 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), etc.

The above entities can also be granted a right of temporary use of a land plot. A land plot can be granted into temporary use for a maximum of ten years, with some exceptions.

The right of temporary use can also be granted to investors operating under concession agreements for a maximum period of 99 years.

Lease agreements can be concluded for a maximum of 99 years. The amount of lease payments should be set in such 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 into lease without holding auctions in limited cases set by law.

Foreign legal entities can use the land plots only on the right of lease.



### 6.6.3 BUILDINGS AND CONSTRUCTIONS

Belarus has no codified legal act regulating the status of 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 objects as real estate:

- isolated premises (parts of a capital building registered and regarded as separate real estate);
- parking spaces (structures registered and regarded as separate real estate);
- objects of incomplete construction (conserved incomplete construction objects registered and regarded as separate real estate).

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 Decree and calculated in basic lease units (BYN 16,9, i.e. approx. EUR 6.5).

Local authorities enjoy a pre-emptive right 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 pre-emptive right to acquire.

In general legal entities also enjoy a pre-emptive right to acquire state property (excluding land plots) in case of leasing it for the period not less than 3 years with granting payment by instalments for 5 years. In such case property alienation should be initiated by state authority owning the leased property.

### 6.6.4 MORTGAGE

Belarusian law allows use of real estate as collateral, but some restrictions are applied.

Only the following organisations are allowed to be mortgagees of land plots and pledgees of lease rights (provided that payment for the right to conclude the lease agreement has been made) 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;
- Asset Management Agency OJSC, Development Bank of the Republic of Belarus OJSC if a transfer of interest in loan with a collateral in a form of mortgage was made to the mentioned organisations;
- 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, the Export-Import Bank of China, IFC, EBRD, Eurasian Development Bank 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 or its residents.

Only owners and tenants of a land plot may act as mortgagors (i.e. entities 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 with simultaneous mortgage of the underlying land plot (a share in the 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 (share in the right of lease) on 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 credit agreements 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 provided that payment for the right to conclude the lease agreement has not been made.

Mortgage of real estate (both an agreement and a right) requires registration in the Real Estate Register.

## 6.7 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.

Besides, it is expected that in the future it will be possible to obtain regional registrations of trademarks and appellations of origin covering all member countries of the Eurasian Economic Union. The member countries have signed the relevant regional agreement on 3 February 2020.

Still the countries should implement necessary domestic procedures to let the agreement enter into force. Also the membercountries should consider additional actions to be performed (e.g. patent fee rates and creation of a single portal for filing purposes).



### 6.7.1 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 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.



#### 6.7.2 PATENT AUTHORITY AND REGISTRATION OF AGREEMENTS

The patent authority of Belarus is the National Center of Intellectual Property (NCIP). The official NCIP website is <https://www.ncip.by/>. It contains databases of inventions, utility models, industrial designs, selection achievements, topologies of integrated circuits, trademarks registered in Belarus and marks applied for registration. 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 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.

Under general rule, 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.

## 6.8 EMPLOYMENT SPECIFICS

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

### 6.8.1 EMPLOYMENT AGREEMENT

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:

- salary may be paid once a month, while salary under the employment agreement shall be paid at least twice a month;
- the contract may be concluded in relation to any kind of work, while the employment agreement for fixed term may be concluded only when it is impossible to formalise employment relations for an indefinite period because of nature of the work or conditions of its performance;
- the contract cannot be terminated early 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).

More strict rules for extension of employment contracts were introduced at the beginning of 2020: for an employee who does not breach discipline, the employer shall offer to extend the contract for the maximum term (i.e. within 5 years), and upon expiration of the maximum term the employer shall offer to conclude a new contract for a period of at least 3 years. Extension for a shorter period is allowed only with the written consent of the employee. However, either the employer or the employee may decide not to extend the contract upon its expiration.

### 6.8.2 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 (contract).

### 6.8.3 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 damages, including loss of profit, in case of disclosure, provided that the regime of trade secret is duly established in the company.

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.

At the same time, Decree No.8 (please see p. 1.1.7. hereof) directly allows concluding non-compete agreements with the employees of HTP's residents. Maximum period of non-compete restriction is 1 year after termination of the employment agreement with HTP's resident. Employer must pay non-compete compensation for each month of compliance with such non-compete obligation after termination of the employment in the amount of not less than one-third of the average employee's monthly salary for the last year of the employment.

#### 6.8.4 EMPLOYMENT OF THE DIRECTOR

Director's rights and obligations are set in an employment agreement and in the articles of association of the 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.

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

For additional information about employment of the director, please see subparagraph 1.2.2 (b) above.

#### 6.8.5 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.

## 6.9 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 supreme authority in the court system and has several judicial panels for commercial, civil, criminal, and intellectual property matters.

The main long-awaited development is the unified procedural code (merging the commercial procedural code and civil procedural code), which is supposed to pass through the Parliament in 2020.

Since 2014 a unified system of enforcement departments has also been in operation, consisting of the main enforcement department and regional departments of the Ministry of Justice. New Laws regulating enforcement procedures and enforcement officers' status and activity have been adopted.

The enforcement fee to be withheld from debtors constitutes 10 % of the amount collected based on proprietary claims. For non-proprietary claims the enforcement fee constitutes 5 basic units (approx. EUR 50) for claims against natural persons and 10 basic units (approx. EUR 100) for claims against legal entities. The enforcement fee for non-proprietary claims is paid for each execution order.

The Ministry of Justice was instructed to establish by 1 January 2021 an enforcement proceedings database that would improve transparency, make publicly available information on the existing enforcement proceedings and provide creditors with better control over the performance of the execution orders.

Belarusian national law recognises arbitration as a means of dispute resolution between private parties involved in commercial transactions. Some disputes cannot be referred to arbitration, for example:

- disputes involving rights to real estate located in Belarus;
- disputes over decisions by the bodies of a company registered in Belarus;
- disputes arising from administrative action;
- disputes related to state-owned property, including disputes related to privatisation of state-owned property and compulsory seizure of property for state needs;
- disputes related to recognition of records in state registers (cadastres) as null and void;
- matters related to insolvency (bankruptcy) of companies and individual entrepreneurs registered in Belarus;
- disputes related to recognition of non-normative legal acts of state bodies and local authorities as null and void;
- disputes related to release of arrested property where the property was arrested by a Belarusian state body.

Arbitration can proceed under either self-administered ad hoc or institutional procedures and rules. The International Arbitration Court at the BelCCI (Belarusian Chamber of Commerce and Industry) was established in 1994. Recently another international arbitration court was established: the Chamber of Arbitrators at the Lawyers' Association. Since 2012 more than 20 arbitration courts (not international) have been established in Belarus.

Awards issued by international arbitration courts in Belarus or ad hoc tribunals seated in Belarus can be annulled by the commercial courts on the procedural grounds only, the courts are not allowed to review the case on the merits.

Belarus is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958). Foreign arbitral awards are recognized and enforced in Belarus by commercial and common courts.

Parties may refer disputes to a foreign court unless Belarusian courts hold exclusive jurisdiction (for example, a local subsidiary of a foreign investor is considered as a Belarusian resident and therefore cannot refer a dispute with a local company to a foreign court).

Under Belarusian law foreign court judgments may be recognized and enforced in Belarus, if:

- recognition and enforcement are 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, Egypt, Georgia, Hungary, Iran, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Pakistan, 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](http://www.akit.by).

Mediation as an alternative form of dispute resolution is gradually gaining popularity among businesses since the Law On Mediation came into force on 24 January 2014 and was followed by regulations on mediators' ethics, the mediation process and other matters.

Mediation can be used to resolve disputes in the fields of civil, commercial, labour and family law. Parties may refer their dispute to mediation either before, or after a case has been filed with a court. Judicial mediation (conciliation) is considered to be a part of court proceedings. Mediation agreements are enforceable by the courts, if they meet all the formal requirements established by law towards in-court settlement agreements.



## 7. TAXES



### 7.1 CORPORATE INCOME TAX (CIT)

The standard rate is 18 %.

Reduced rate is 12 % (for dividends). Banks, insurance, forex and microfinance companies pay CIT at a rate of 25 %.

Belarusian shareholders of a Belarusian company are entitled to apply reduced CIT rate of 6 % in case the profit was not distributed for the period of 3 consequent calendar years, and 0 % rate in case the profit was not distributed for the period of 5 consequent calendar years.

## 7.2 WITHHOLDING TAX<sup>(WHT)</sup>

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

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

Double Taxation Treaties (DTTs) usually allow either exemption from WHT or set reduced WHT rates, depending on the type of income.

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

## 7.3 PERSONAL INCOME TAX<sup>(PIT)</sup>

The standard rate is 13 % (including dividends).

A rate of 16 % applies to the income of individual entrepreneurs and to income drawn from 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 HTP under employment contracts. 4 % rate is applicable to certain winnings from gambling.

Individual shareholders of a Belarusian company are entitled to apply reduced PIT rate of 6 % in case the profit was not distributed for the period of 3 consequent calendar years, and 0 % in case the profit was not distributed for the period of 5 consequent calendar years. This benefit applies only to shareholders – Belarusian tax residents.

## 7.4 SOCIAL SECURITY CONTRIBUTIONS (SSC)

SSC are paid by employers, employees, and individuals who pay SSC independently.

The employee rate is 1 % of gross salary.

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

## 7.5 VALUE-ADDED TAX (VAT)

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

0 % e.g. for goods subject to export customs procedure;

10 % e.g. for crop and farm production;

25 % for telecommunication services provided to subscribers.

Generally, a single registration applies for all taxes, so no special VAT registration except for foreign companies paying digital VAT.

As a general rule, an electronic VAT invoice (EVI) is an obligatory document for all VAT payers. EVI is a basis for VAT calculations between sellers and buyers, as well as accepting for deduction the corresponding input VAT amounts. EVI is circulated via the EVI portal powered by the Ministry of Taxes and Duties. Please note that EVI is not regarded as a primary accounting document.

At the same time suppliers are not obliged to issue EVI, inter alia, in the following cases:

- goods, services (works), proprietary rights which are out of scope of VAT and their supply need not appear in VAT tax returns;
- certain banking operations;
- insurance services;
- sales of VAT-exempt goods, services (works) or proprietary rights by foreign companies not registered with the Belarusian tax authorities;
- goods are imported to Belarus under commissioner (agency) agreements;
- rendering services in electronic form by foreign company to individuals.

## 7.6 LAND TAX

The tax rate for land depends on the cadastral valuation of a land plot.

## 7.7 REAL ESTATE TAX (RET)

The standard RET rate for companies and individual entrepreneurs is 1 % for buildings and constructions. There is a number of RET benefits for companies doing construction using their own resources. Tax rate for individuals and individual entrepreneurs is 0.1 % and 0.2 % a year.

## 7.8 OFFSHORE DUTY

Payments to tax havens by Belarusian entities and individual entrepreneurs are the base for calculation of the offshore duty.  
The rate of the offshore duty 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.

## 7.9 ECOLOGICAL TAX AND NATURAL RESOURCES TAX

Ecological tax is imposed on the volume of waste, emissions and waste-water discharges. 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.

### 7.10 TAXATION TREATIES

As of 1 January 2020 Belarus has effective DTTs with 70 countries:

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

## Innovations

Starting from 1 January 2019 Tax Code of Belarus introduces general anti-abuse rule. Tax authorities may adjust base of all taxes in case economic substance of the transaction differs from its legal form. Principal purpose test will be used to trigger such adjustment.







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# NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

The Agency is ready to assist foreign investors interested in doing business in Belarus in:

- organisation of a fact-finding trip to Belarus, including visa;
- receipt of the information required about the country's investment opportunities, special regimes and benefits, state industry support program and development, the procedure of making investment decisions;
- selection of investment objects (investment projects, land plots, buildings) — consulting in selection of the optimal variant;
- collection and analysis of information about a certain investment object and investor is interested in, taking into consideration the regulations and norms about protection of undisclosed information;
- organisation of the meetings required to make an investment decision, including with market regulators, representatives of sector ministries, local authorities, key players of the market and potential partners;
- resolution of the issues arising during implementation of an investment project (solution provider);
- the Agency is also ready to render post-project support (aftercare).

Our services are free of charge for foreign investors.



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