

INVEST



IN BELARUS GUIDEBOOK

JUNE • 2016

Investment opportunities,
legal and economic environment

PREPARED BY

 NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION

 SORAINEN

ESTONIA LATVIA LITHUANIA BELARUS

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OPENING REMARKS



INVEST IN BELARUS
GUIDEBOOK
JUNE 2016

Natalia Nikandrova



Dear Reader,

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

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

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

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

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

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

Welcome to discover!

Natalia Nikandrova
Director of the National Agency
of Investment and Privatization

Astana



4.5 h
2 flights daily

Minsk

Minsk

3.5 h
2 flights a week



Baku

OPENING REMARKS



INVEST IN BELARUS GUIDEBOOK JUNE 2016

Maksim Salahub



Dear Reader,

According to a report published by the World Bank, Belarus us currently ranks 44th on its Ease of Doing Business scale, mainly due to improvement of procedures related to starting a business. Factors which may improve the ranking further include ongoing robust reforms of corporate, tax, and investment law.

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

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

Kind regards,

Maksim Salahub,

Partner at SORAINEN Belarus



01 | CHAPTER

INVESTMENT OPPORTUNITIES

1. WHY BELARUS? REASONS TO INVEST

BELARUS IS THE BEST PLACE FOR YOUR INVESTMENT AS IT OFFERS:

Strategically advantageous location

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

Direct access to the market of five EAEU countries (Belarus, Russia, Kazakhstan, Armenia and Kyrgyzstan)

Today companies investing in Belarus automatically enter the 182-million market of five EAEU countries.

Competitive investment and taxation conditions

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

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

Belarus strives to create open and favorable conditions for business in its territory. Today the country is the leader in legislation improvement which is confirmed by the World Bank's Doing Business 2016 research. Belarus occupies 44th place out of 189 countries, leaving Russia and Ukraine far behind. Concerning such indices as "property registration" (7th place) and "starting a business" (12th place), Belarus is one of

the most attractive countries not only of the region but also of the world in general.

Developed transportation and logistics infrastructure

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

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

Over 100 million tones of European cargo cross the territory of Belarus each year, 90% of which is between Russia and the EU.

Unique privatization opportunities

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

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

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

Highly qualified workforce

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

Decent living standards

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

In 2012 the researchers of Yale and Columbia Universities awarded Belarus with the best environment rating among all CIS countries.

Favorable investment policy

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

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

Belgrade



3.5 h

2 flights daily

Minsk

Minsk

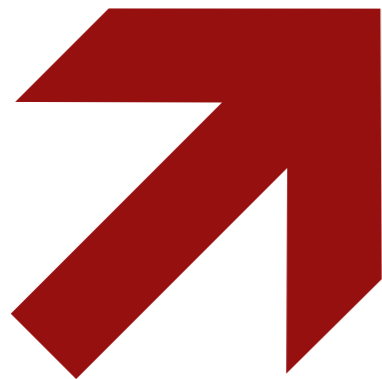
2 h

5 flights a week



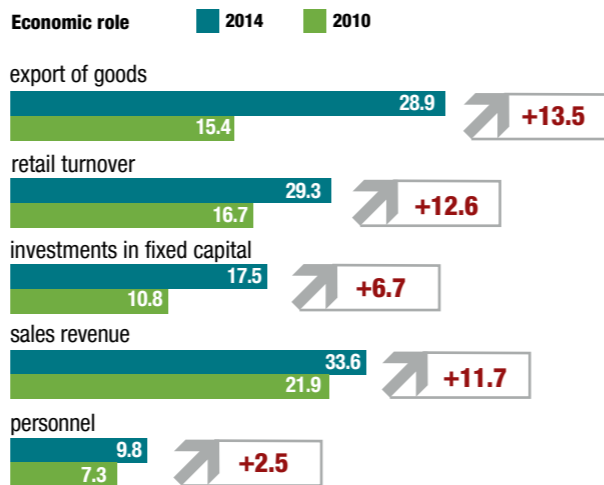
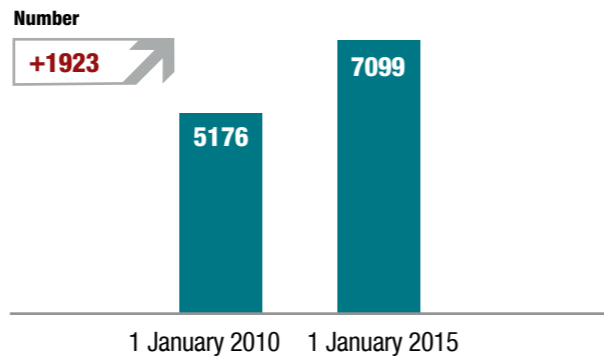
Berlin

01 | CHAPTER



INVESTMENT OPPORTUNITIES

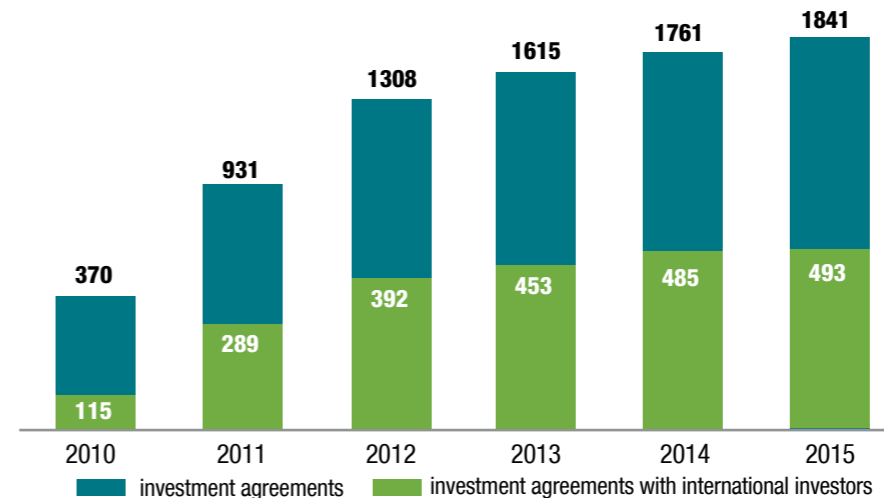
Commercial organizations with foreign investments



Commercial organizations with foreign investments contribute more than a tenth of GDP. Investors can benefit more from other incentives and privileges provided under the investment agreement with Belarus when carrying out investment projects important for the government.



Commercial organizations with foreign investments



around 5 times growth in number of investment agreement



DOING BUSINESS 2016 44th place out of 189 countries

Starting a business from 40th to 12th
Dealing with construction permits from 51st to 34th
Trading across borders from 145th to 25th



LEGATUM PROSPERITY INDEX 2015 63rd place out of 142 countries

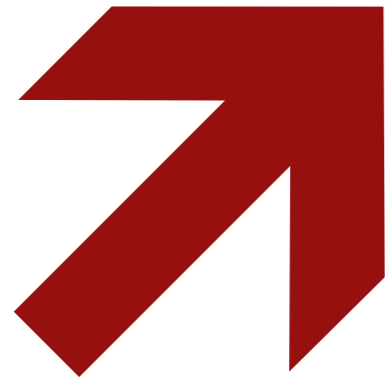
LEGATUM PROSPERITY INDEX 2015 (EDUCATION) 31st place out of 142 countries

LEGATUM PROSPERITY INDEX 2015 (HEALTH) 38th place out of 142 countries

LEGATUM PROSPERITY INDEX 2015 (SOCIAL CAPITAL) 37th place out of 142 countries



01 | CHAPTER



INVESTMENT OPPORTUNITIES



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

When compared to 2010, Belarus improved its position in the Human Development Index and ICT development index. This is evidence that quality of life remains one of the primary tasks that the authorities work on, as they see economic stability as a means to legitimize their rule. Compared to other countries in the region, Belarus usually finds itself ranked above Ukraine or Russia, but lower than Poland, Lithuania and Latvia.

Belarus has had a rather good showing in the UNDP Human Development Index, the Legatum Prosperity Index and the Ease of Doing Business Index.

When speaking about the ease of doing business index, the greatest progress has been noted in category "Trading across Borders" (120 points). According to the report "Doing Business - 2016", the Republic of Belarus has carried out some positive reforms in the fields of starting business and registering property procedures, along with positive changes to labor market regulations.

Starting a business

Belarus made starting a business simpler by expanding the geographic coverage of online registration and improving online services.

Registering property

Belarus made transferring property easier by introducing a new expedited procedure.

Labor market regulation

Belarus amended the provisions of its Labor Code relating to wage regulation, labor arbitration and the calculation of overtime pay.

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

In accordance with the information and communication technologies development index 2015, Belarus occupies the 36th position. According to the information and communication technologies development report, for the first time since the national program for accelerated development of services in the sphere of information and communication technologies in 2011-2015 was launched, Belarus is the CIS leader and is ahead of Russia (45nd position) and Kazakhstan (58rd position). Belarus' successful advancement of information and communication technologies has been praised by ITU experts for years. Judging by the results achieved in 2015, Belarus has been noted as one of the world's economies with the largest changes in ICT access, which reflects the technical level of development of the modern infrastructure in the country. Belarus is the only country in the region within the highest quartile of global rankings.

International rating Standard & Poor's agency affirmed Belarus long-term ratings in foreign and local currency ratings at B-level, short-term rating at B-level as well. The forecast on the long-term ratings is stable.

On February 26, international rating agency Fitch Ratings assigned to Belarus a long-term sovereign credit rating at B-level and a short-term rating at B-level with stable forecast Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.



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

Doing business 2016

Country	DB index ranking
Singapore	1
Armenia	35
Czech Republic	36
Kazakhstan	41
Belarus	44
Russia	51
Kyrgyzstan	67
Ukraine	83

Source: World Bank



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INVESTMENT OPPORTUNITIES

ICT development index

	ICT development index ranking
Korea (Rep)	1
Germany	14
Belarus	36
Lithuania	40
Poland	44
Russia	45
Kazakhstan	58
Ukraine	79

Source: International Telecommunication Union

Human development index

Country	Human development index ranking
Norway	1
Poland	36
Lithuania	37
Belarus	50
Russia	50
Kazakhstan	56
Turkey	72
Ukraine	81

Source: United Nations

2. PROMISING SECTORS FOR FDI

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

Investment opportunities

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

2.1. PHARMACEUTICAL INDUSTRY

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

Unique preferential treatment within the industrial zone of «BelBioGrad»

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

Developed HR potential

The pharmaceutical industry of the Republic of Belarus employs more than 8.0 thousand professionals of different levels of preparation and all with a wide range of skills. Each year, they are joined with additional 500 graduates, which creates a stable basis for a personnel inflow into new manufactories and segments of the industry.

Governmental support of investment projects in the sphere of pharmaceuticals

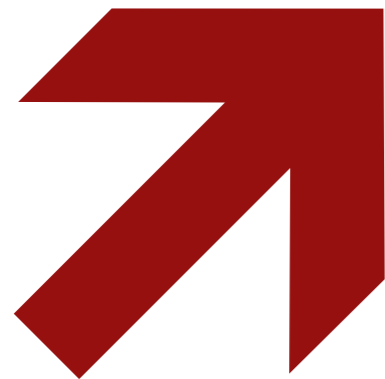
A comprehensive state program has been passed for the development of the pharmaceutical industry in the Republic of Belarus. According to this program, the share of locally produced medicines consumed in the country will account for 50% by 2015 (in 2012 this indicator was 30.6% in monetary terms).

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

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



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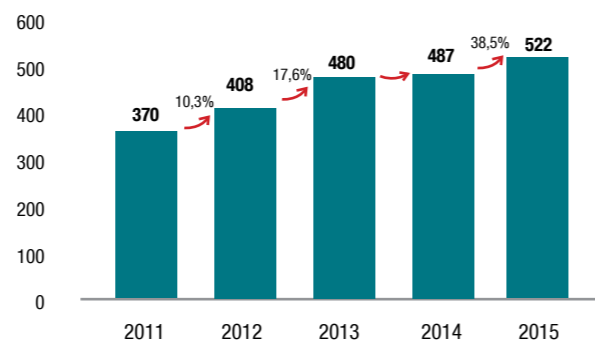


INVESTMENT OPPORTUNITIES

In general, over the last eight years the Belarusian pharmaceutical market has had a positive trend and grew by 13% annually, significantly outpacing GDP growth (the pharmaceutical market downturn of 2011 in monetary terms happened due to the situation in the country's foreign exchange market).

The production of pharmaceutical products, as well as the pharmaceutical market has a positive dynamics: over the last four years the production has increased by 32% to 487 USD million. Positive dynamics in the production has been also observed in 2015 the production has increased by 38.5% as compared to 2014.

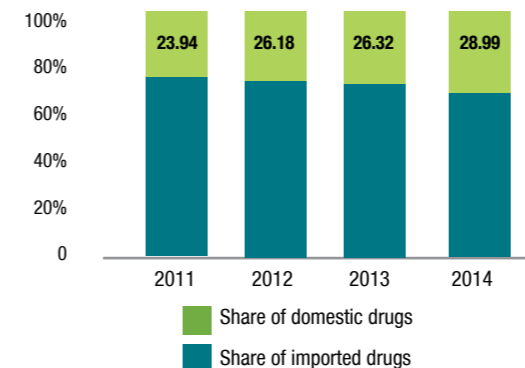
Production of pharmaceutical products in Belarus, USD mln



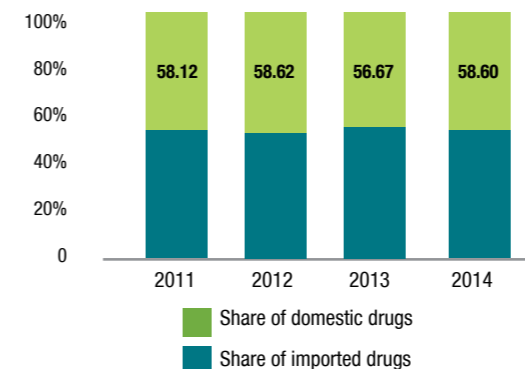
The amount of medicines produced in Belarus is 1.4 thousand, or 28.5% (in 2008, the amount of medicines produced in Belarus was 550 items). Pharmaceutical expenditure per capita in Belarus has grown by 10% annually and amounted to just over 71 USD in 2014.

Pharmaceutical expenditure per capita in Belarus grew by 10% annually and amounted to just over 71 US dollars in 2014.

Share of imported and domestic drugs (in value terms, %)

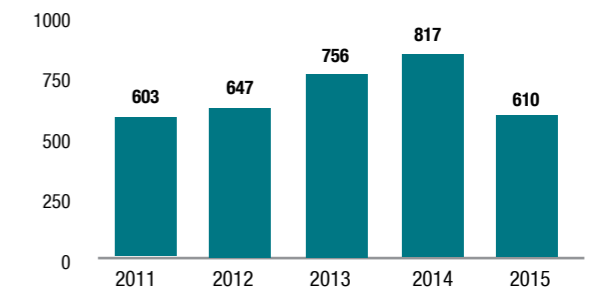


Share of imported and domestic drugs (in physical terms, %)



Belarus imported pharmaceutical products worth 610.7 USD million in 2015, including medicines worth 405.1 USD million. The average annual growth rate of imports in 2004-2014 amounted to 14%. But in 2015 it dropped by 25.3 %

Import of pharmaceutical production to Belarus, USD mln



The geographical structure of import is quite diversified. Thus, the largest shares are from Germany (11.8%), Russia (11.3%), India (6.6%), USA (6.5%), France (6.2%), Hungary (5.5%), Italy (4.5%) and Austria (4.2%).

In order to reduce dependence on import and increase domestic production, the Republic of Belarus has adopted the "State Program on development of import-substituting production of pharmaceutical substances, finished drugs 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 will reach 50% in value terms by the end of 2015. It should be noted that the domestic drugs captured 52.6% of the market in physical terms in 2015.

Implementation of the program of import substitution of the pharmaceutical industry is largely dependent on the raw materials and active pharmaceutical ingredients that are needed for medicine production, but that are not produced in Belarus. Thus, about 60 substances are synthesized in the country for the production of medicines and more than 800 are imported (2012 data). Generally, substances are bought in countries with a significant competitive advantage of the production costs, namely India, Pakistan and China. Since the production of substances is very expensive and based on scale effect, and also has a low marginality, it is more appropriate to produce finished pharmaceutical products (FPPs) in Belarus.

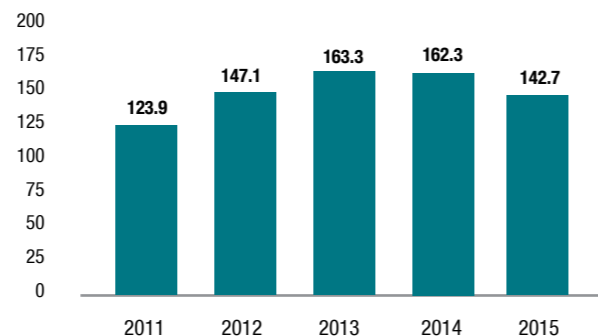


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INVESTMENT OPPORTUNITIES

Exports of pharmaceutical products amounted to more than 142.7 million USD in 2015, decreased (by 12.1%) in relation to 2014.

Export of pharmaceutical products from Belarus (mln USD)



According to the data of 2015, the decline is observed in both exports and imports of pharmaceutical products. Thus, exports decreased by 12.1%, imports decreased by 25.3%.

Geographical structure of exports reflects the impact of the EAEU countries (85.8% of the products are exported to the EAEU countries). More than 90% of export products are accounted for the CIS countries.





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

The main share of Belarusian exports goes to state-owned companies (90%). 48% is the share of exports in the whole volume of sales of products of republican unitary enterprise Belmedpreparaty, and 53% - of joint stock company Borimed. Thus, the export share in the whole volume of sales of Belmedpreparaty products is 48%, Borimed – 58%.

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). Estimated technical RES potential in Belarus accounts for around 80 mln tons of oil equivalent, which notably exceeds Belarus's total energy consumption of Belarus.

	<ul style="list-style-type: none"> 1840 sites for potential wind farms location with multiple grid connection points 1600 MW possible wind energy capacity 4.9-5.3 m/s is average background wind speed at the height of 10 m 3.9 MW total installed capacity in Belarus
	<ul style="list-style-type: none"> 850 MW possible hydroenergy capacity the largest hydropower potential is concentrated in Grodno, Vitebsk and Mogilev regions in the river basins of Neman, Western Dvina and Dnepr 33.4 MW total installed capacity of 49 existing hydropower plants
	<ul style="list-style-type: none"> large economic potential for the use of biogas and biomass, availability of the necessary raw materials (municipal solid waste, agricultural waste, waste water treatment facilities, etc.) 850 MW possible bioenergy capacity 14.7 MW total installed capacity of biogas plants >600 MW total installed capacity of biomass plants
	<ul style="list-style-type: none"> potential effectiveness of the use of solar panels on the territory of Belarus due to the favorable conditions of insolation is more than 10% higher than in Poland and the Netherlands and more than 17% higher than in Germany, Belgium, Denmark, Ireland, United Kingdom several investment projects on building solar power plants with total capacity of 120 MW are in the implementation stage

Moscow



1.5 h

7 flights daily

Minsk

Minsk

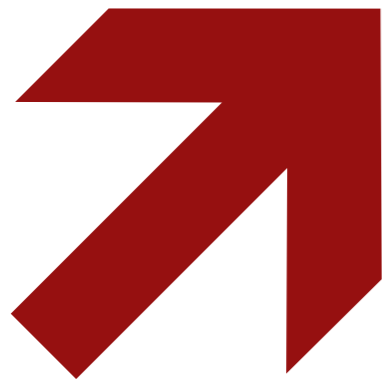
3 h

3 flights a week



Nice

01 | CHAP



INVESTMENT OPPORTUNITIES

High feed-in-tariffs

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

Type of energy source	Feed-in-tariff for the first 10 years from the date of commissioning of electricity generation	Feed-in-tariff for the next 10 years of operation
Wind energy for equipment plants with following age of equipment: — less than 5 years — more than 5 years	1.2 (0.155 USD*) 1.05 (0.135 USD*)	0.75 (0.097 USD*)
Natural movement of water energy, geothermal energy: ≤ 300 kW 301 kW – 2 MW > 2 MW	1.2 (0.155 USD*) 1.15 (0.148 USD*) 1.1 (0.142 USD*)	0.75 (0.097 USD*)
Energy from wood, biogas, and other renewables ≤ 300 kW 301 kW – 2 MW > 2 MW	1.3 (0.168 USD*) 1.25 (0.161 USD*) 1.2 (0.155 USD*)	0.85 (0.110 USD*)
Solar energy: ≤ 300 kW 301 kW – 2 MW > 2 MW	2.5 (0.323 USD*) 2.3 (0.297 USD*) 2.1 (0.271 USD*)	0.75 (0.097 USD*)

*As of 01.10.2015 per 1 kW*h.

Substantial governmental support

Due to a high dependence on imported energy resources, development of RES industry in Belarus is one of the government's priorities. Systematic work on development of renewable energy sector is organized and supported by all level state authorities and is expressed in:

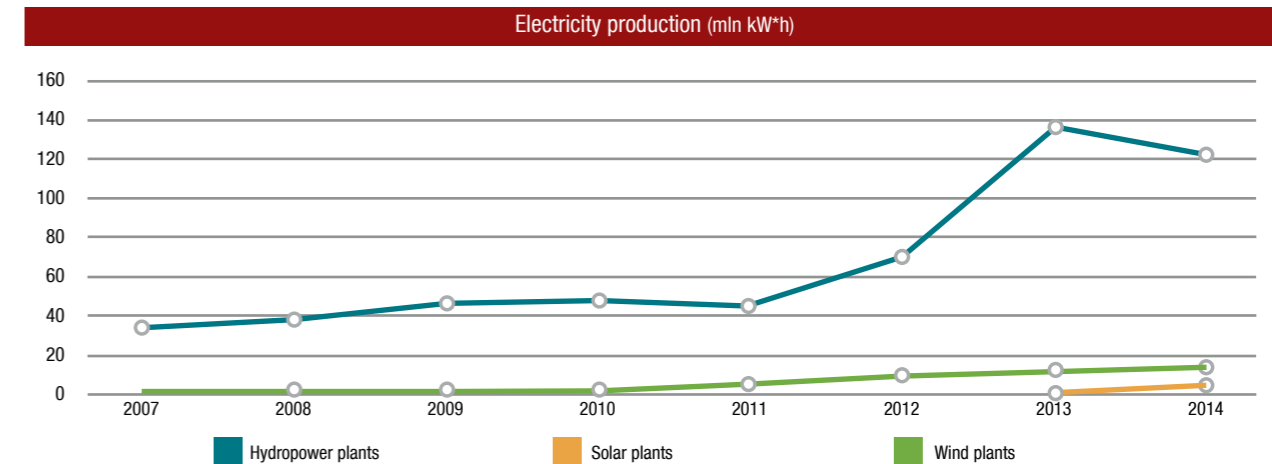
a) providing legal guarantees

- guaranteed connection to the state electricity grid;
- guaranteed purchase by the state energy utility of all proposed energy produced from RES;
- guaranteed payment of all energy produced from RES at preferential tariffs.

b) stimulating public policy

- State Program for Construction of Biogas Plants for 2010-2015;
- State Program for Construction of Hydropower Plants for 2011-2015;
- National Program for Development of Local and RE Sources for 2011-2015.

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



Current use of renewable energy sources in the Republic of Belarus (by types of sources).

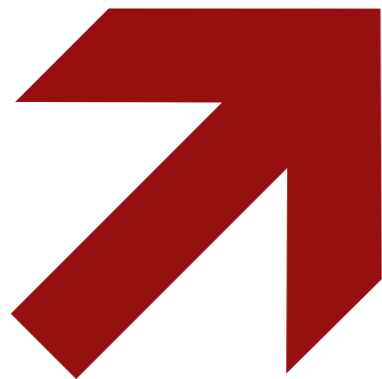
As of January 1, 2016 the following sources operated in the Republic of Belarus:

- 3265 local fuel power-suppliers with a total heat capacity of more than 6,000 MW, including 22 local fuel mini-CHPs with a total electric capacity of 129.1 MW and a total heat capacity of 345.6 MW;
- 16 biogas plants with a total electric capacity of about 22.4 MW;

- 50 hydroelectric power stations with a total installed capacity of approximately 35.1 MW;
- 56 wind turbines with a total installed capacity of approximately 43.2 MW;
- 118 heat pumps with a total heat capacity of about 10 MW;
- 29 photovoltaic power stations with a total electric capacity of about 13 MW;
- 287 solar water heating installations with a total heat capacity of about 3.8 MW.



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INVESTMENT OPPORTUNITIES

The Energy Security Concept sets threshold indicators of economic independence for the period until 2035:

- the ratio of the volume of production (extraction) of primary energy to the gross consumption of fuel and energy resources in 2020 is 16 percent, in 2025 - 17 percent, in 2030 - 18 percent, in 2035 - 20 per cent;
- the ratio of the volume of production (extraction) of primary energy from renewable energy sources to the gross consumption of fuel and energy resources in 2020 is 6 percent, in 2025 - 7 percent, in 2030 - 8 percent, in 2035 - 9 percent.

Over the last years, among the completed projects for using of local and renewable energy sources in state production association Belenergo the following ones can be noted: mini-CHPP (Central Heating and Power Plant) functioning with the help of local fuel types of Baran, the largest hydroelectric power station of Grodno HEPS with a capacity of 17MW, the wind turbine of 1.5 MW in Grabniky settlement, Novogrudok, Grodno region.

In 2015, in the Republic of Belarus the installed capacity of energy source using solar energy amounted to 11.51 MW, electrical supply was 11 mln kWh.

At present the capacity of the largest solar power station among other 28 exploited stations in Belarus amounts to 3.75 MW.

The allocation of quotas is made competitively. Given that the selection criteria of winners for the right to create plants with usage of renewable source of energy make it possible not only to select the best technical offers including the highest production figures but also determine the most effective plants.

The Republican Commission for fixing up and allocation of quotas established the volume of plants construction for the use of renewable source of energy for 2016-2018 in the amount of 215 MW.

percent, in 2030 - 8 percent, in 2035 - 9 percent.

Developed electricity grid & rich land resources

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

5. Additional incentives and benefits

Along with high resource potential and progressive legislative framework in RES sphere, the Republic of Belarus offers foreign investors a multiple number of unique advantages:

a) by concluding an investment agreement with the Republic of Belarus a foreign company:

- is exempt from import duties and VAT on imported equipment for its use within the framework of the investment project;
- is exempt from land tax or rent payment for the land plots being the state property, provided for the construction of the objects;
- is entitled for renting a land plot of the required size without holding an auction;
- is entitled for the deduction of the full amount of VAT paid during the acquisition of the goods, property rights used for the project planning, construction, equipment of the objects provided by the investment project etc.
- is entitled for determination without holding a tender of the general project organization, general contractor, sub-contractor project, construction and other organizations etc.

b) while doing business in the territory of small and medium towns and rural areas a foreign company is exempt from:

- import duties and VAT on imported equipment for its use within the framework of the investment project;
- profit tax for the first 7 years from the registration date;
- real estate tax, state duties for obtaining special permissions (licenses), contributions to innovation funds.

1. QUOTAS

– Before the Decree, renewable energy in Belarus was regulated by The Law of the Republic of Belarus of 27 December 2010 №204-Z “On the renewable energy sources” (the Law). According to the Law the state guarantees to the investor access to public grid and purchases produced energy applying feed-in tariffs (increasing coefficients and stimulating tariffs).

– Until today there haven't been any restrictions for the construction of renewable plants. Any investor could construct such a power plant and start to sell energy to the state. But the Decree introduces quotas for building renewable plants.

Quotas will apply to:

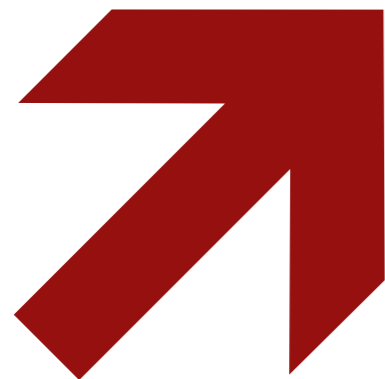
- Construction of new power plants,
- Modernization and reconstruction of existing plants. Thus to increase capacity or to add a new facility to an existing one, an investor should obtain a permission of a public authority.

Quotas will not apply to:

- Companies, which produce energy only for their own needs and not with the aim to supply the public grid,
- Renewable power plants being built under investment agreements with the government of the Republic of Belarus concluded and registered before 20 May 2015.



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2.3. AUTOMOTIVE INDUSTRY

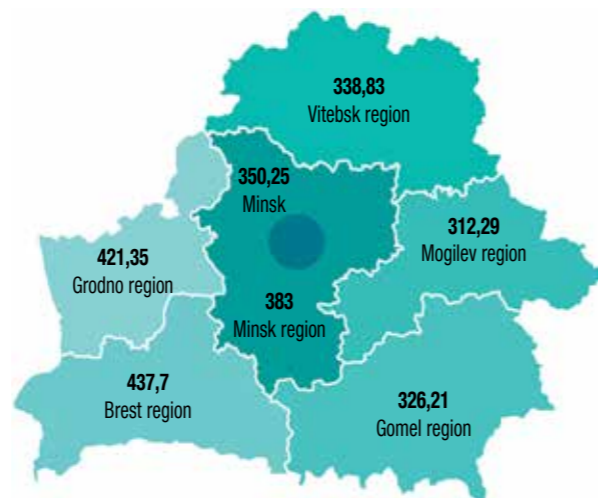
The industry is widely recognized for having a long-standing tradition and a high competence in machine building and manufacturing. Most companies in the sector originated as factories manufacturing equipment for the transportation of minerals, as manufacturers of tractors or as parts and components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

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

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

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

The number of cars per every 1000 of the population



SOURCE: Ministry of internal affairs of the Republic of Belarus

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

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

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

In total 26 190 new cars were sold by Belarusian dealers in 2015. According to the number of sold new cars at the end of 2015, Renault left competitors far behind. Second place was occupied by representatives of the German automobile industry- Volkswagen, and the third place went to the Japan automobile industry- Nissan.

2.4. FOOD INDUSTRY

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

Growth potential

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

Raw materials

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

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

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

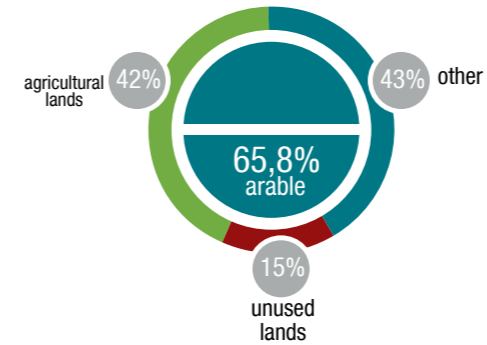
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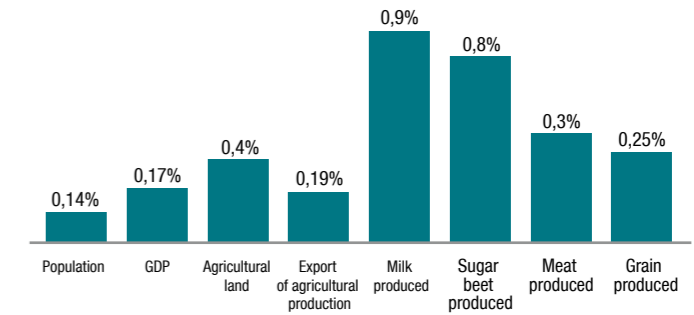
The Republic of Belarus is the leader among the CIS countries in the production of dairy and meat products, as well as in growing potatoes.

	Rank of Belarus among top 20 exporters by physical volume	Belarus' share in the top 20 exporters' exports by volume, %
Meat of bovine animals fresh/chilled	19	1.6
Cheese and curd	13	2.4
Butter	7	4.6
Dairy spreads	1	24.0
Milk not concentrated nor sweetened (1-6% fat)	9	3.3
Milk and cream not concentrated and unsweetened exceeding 6% fat	13	1.8
Milk powder not exceeding 1.5% fat	7	4
Refined sugar	11	2

Land Fund Structure

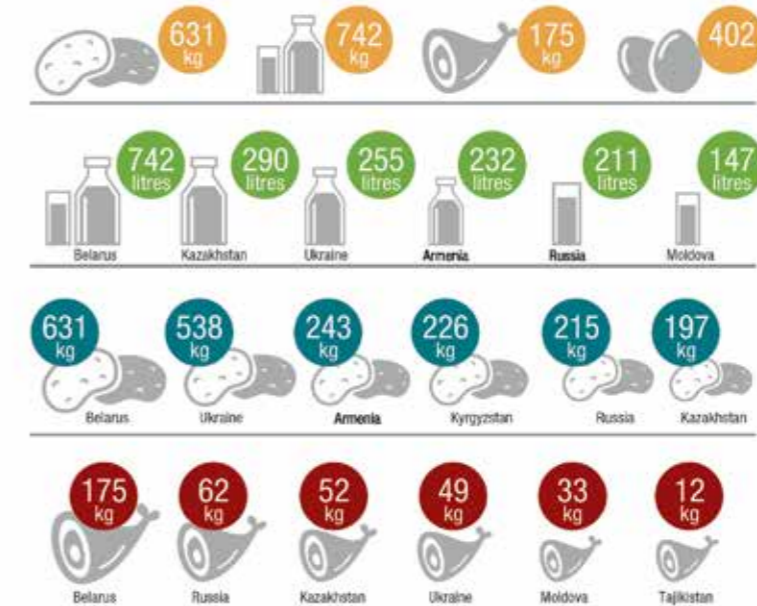


Belarus competitiveness



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

Belarus



Saint -Petersburg



1.5 h

2 flights daily

Minsk

Minsk

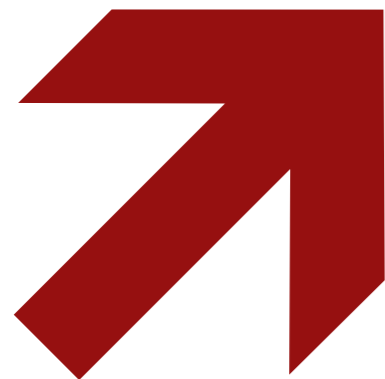
2 h

4 flights daily



Stockholm

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

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

3.1. SERVICES

Information services

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

Organizing fact-finding trips to Belarus

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

Aftercare

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

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

Site selection support

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

Project Management

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

3.2. PILOT PRIVATIZATION PROJECT. IMPLEMENTING BEST INTERNATIONAL PRACTICES

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

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

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

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

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

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

State Owned enterprises to be included into the second round of the process are being identified by competent authorities. Such industries as machinery, instrumentation and agriculture are considered to provide companies for a new Privatization list.

The Pilot Privatization Project includes the following stages:

Stage 1. Selection of companies

The careful selection of candidate companies for privatization is of great importance and shall take into consideration all possible economic, social and political risks. The Agency is collaborating with the State Property Committee, the Ministry of Economy and the World Bank in process of selecting companies for a case-by-case privatization according to the criteria specially designed for this Project especially: annual sales, profitability of companies, the amount of short- and long-term obligations, the number of employees. etc.

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

Stage 2. Involvement of Financial Advisors

A core component of the project includes the involvement of Financial Advisors (internationally reputable investment banks or advisory firms) to assist Agency to execute



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the privatization transactions, including all preparatory work, structuring the sale, implementing the actual sale and performing appropriate post-sale activities for the privatization of the State Owned Enterprises (SOEs).

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

Stage 3. Preparation of SOEs

Phase 1. Preparation the company for the sale:

Pre-build due diligence;
Recommendations on actions to be taken to improve the attractiveness of the SOE;
Valuation of the SOE based on international standarts and Belarussian accepted methodology;
Assessment of market intrest;
Preparation of the financial reports in compliance with IFRS;
Developing of the Privatization Strategy for each SOE.

Phase 2. Launching the tender process:

Advertise the transaction in local and international medis;
Distribution of Teasers;
Submission of the Expressions of Interest (EOIs) by the potential buyers;
Short listing of the Potential Investors: the FA will assess and provide the Agency with the financial viability and strategic fit of investors who submitted EOIs;
Due Diligence process: the due diligence process requires that the short-listed potential buyers will be given a high degree of access to the SOE's Data Room.

Phase 3. Negotiation and Closing.

Once the due diligence is over, the buyers will submit their bids and the most attractive bid will selected.

Stage 4. Interest analysis

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

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

Stage 5. Making a privatization deal

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



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4. ECONOMY OF BELARUS. OVERVIEW

In 2014, a number of external shocks caused by recessions at the markets of the main trade partners and decline in oil price had an impact on the economy of the Republic of Belarus in 2015.

1) The downward price trend in the world commodity markets, including the decline of oil price, influenced greatly the amount of export earnings of Belarus in 2015.

2) Geopolitical tension is still looming over the Eastern Europe region. The failure to resolve the conflict in eastern Ukraine has hurt one of the largest economies in the region and has led to the prolongation of sanctions against Russia, with regional ripple effects.

3) In 2015, Belarus faced weak external demand from the main trade partners. Devaluation of national currencies in trade-partner countries reduced the effective demand for Belarusian goods. It led to the decrease of competitiveness of Belarusian goods in those markets.

For Belarus, the risk associated with the economic development of Russia still exists. The regime of sanctions and countersanctions between Russia and West indirectly affects the amount of Russian investments to the Belarusian economy.

Tough macroeconomic measures that were taken by the government of the Republic of Belarus in 2014 and which the government continued to implement in 2015 in order to eliminate external and internal imbalances has also put pressure on economic activity in the country.

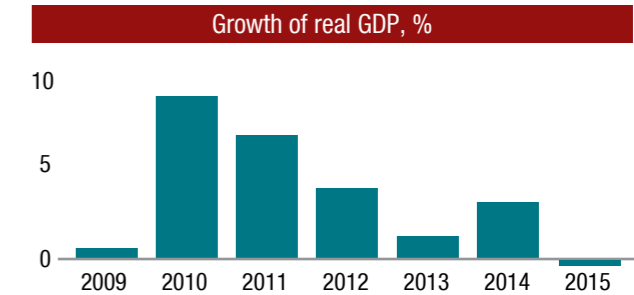
The measures are the following:

- The introduction of flexible exchange rate regime;
- Depreciation of the national currency (+ 56% in 2015)

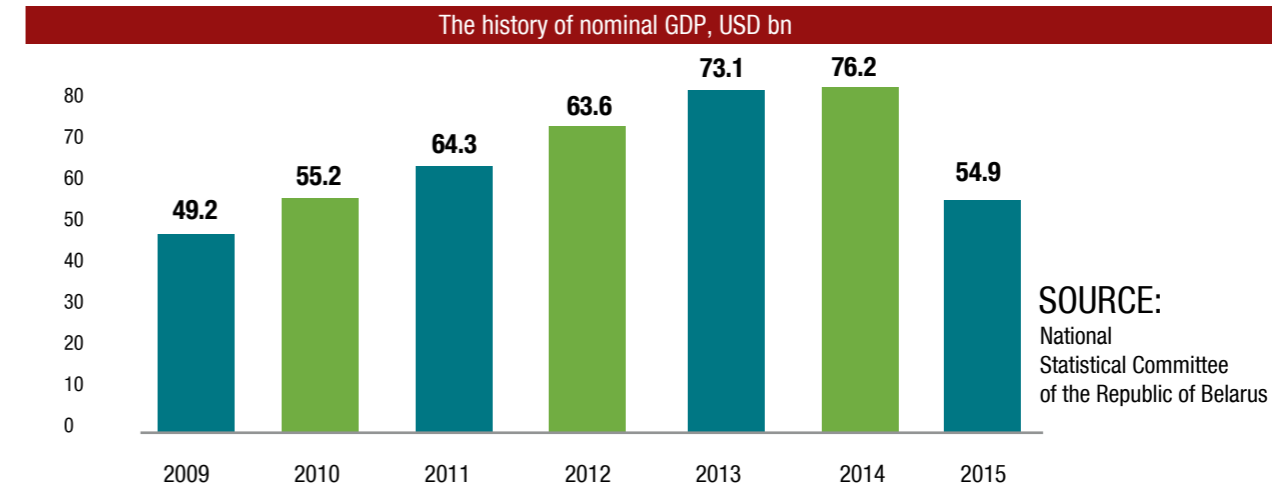
- Tight monetary policy. Maintaining a high refinancing rate (and therefore the credits to the real sector of the economy became too “expensive”. Lack of credit availability led to the need for support from the government as compensation for the costs of loan servicing, granting of preferential loans, debt relief, etc.) During 2015 the refinancing rate remained at 25 per cent per annum. At the beginning of 2016 the National Bank of the Republic of Belarus announced the refinancing rate had declined to 24 per cent per annum. From May 1, 2016 the refinancing rate will be established at 22 per cent per annum.
- Wage increase within productivity increase.

Meanwhile, the state of public finance was better in 2015 than in 2014. Thus, in 2015 consolidated budget was executed with a surplus that equals to 1.5% of GDP compared to the surplus of 2014 that was equal to 1.1% of GDP.

4.1. GROWTH OF REAL GDP



4.2. NOMINAL GDP



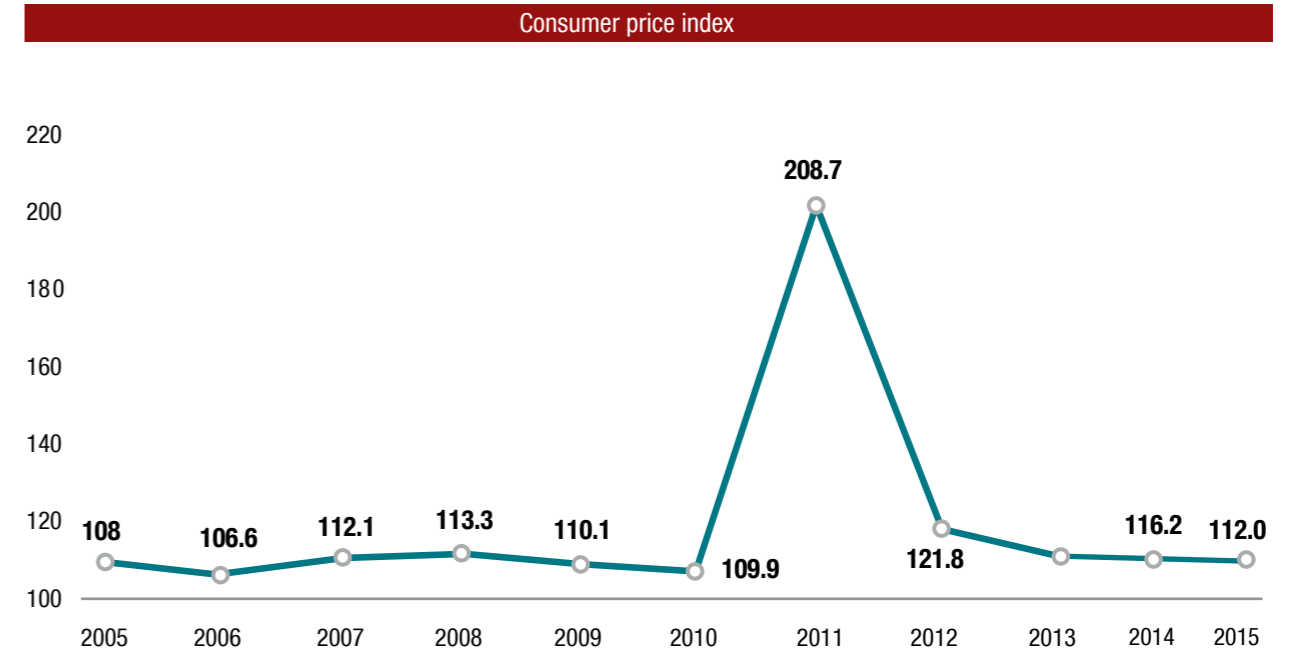
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4.3. CONSUMER PRICE INDEX

As a consequence of the price shocks in the oil market which put pressure on the nominal exchange rate of the Belarussian ruble, the broad money supply enlarged. That widened the gap between the growth of broad money supply and its target level. Nevertheless, due to the tight monetary and credit policy maintained inflation continues to decline, which also can be explained by weak domestic demand and low prices in the world commodity markets.



SOURCE:
National Statistical Committee of the Republic of Belarus



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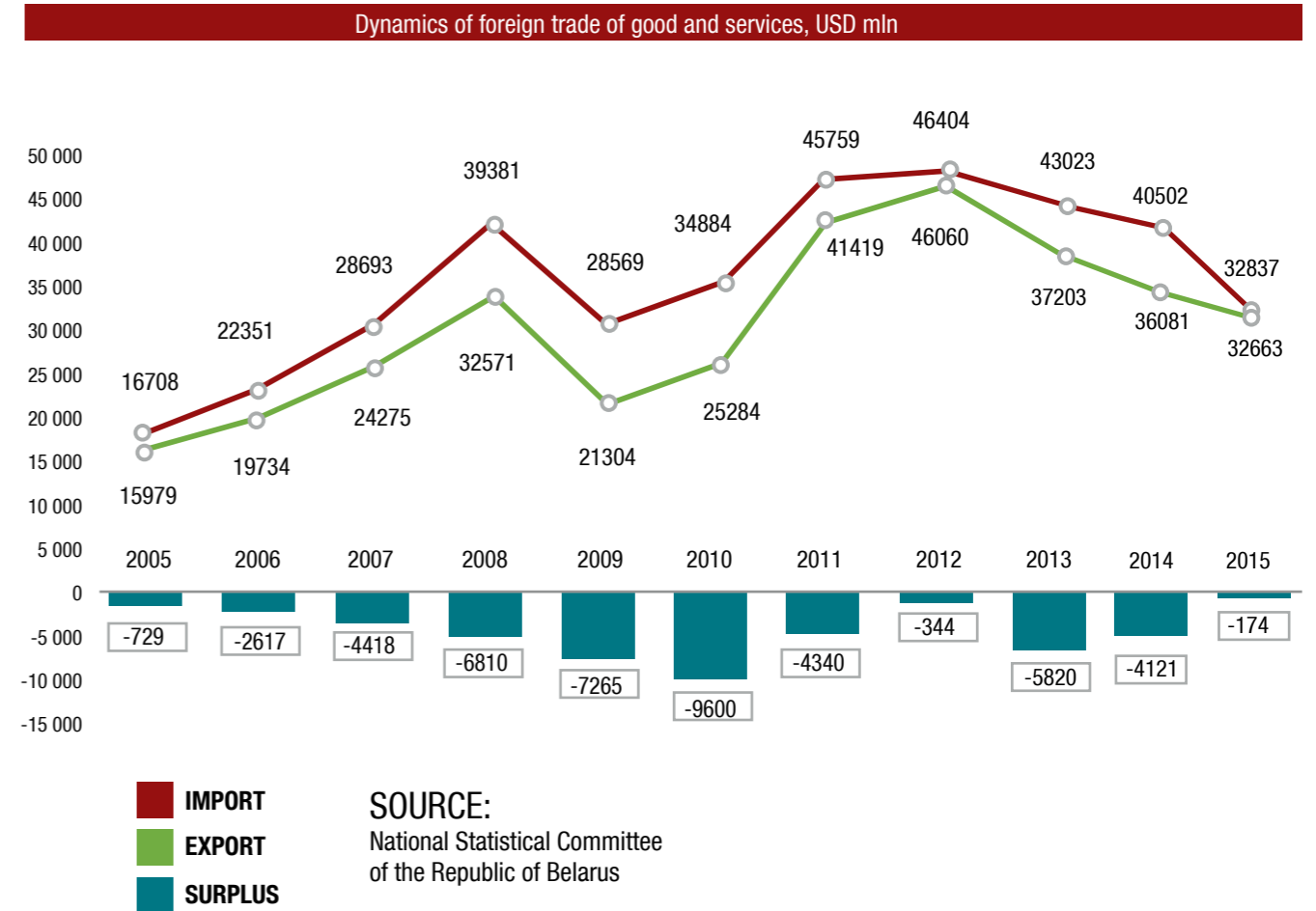
BELARUSIAN ECONOMY

4.5. INTERNATIONAL TRADE

The nominal decline in exports (24.1%) in 2015 as compared to the same period of the previous year exceeded the decline in imports (25.4%). The decrease in the value of exports of goods occurred because of the diminished prices and imports fell due to price and volume changes. Average prices of export fell by 27.8 per cent, 16.2 percent in import. Physical volume of exports increased by 2.4 percent, and imports fell by 10.9 per cent.

The decline of exports was mainly due to the drop in average export prices. The largest decline in exports occurred in energy products (28.4 % to the country's export) due to the collapse of the world oil prices. In the product section the negative dynamics of non-energy product exports was connected with the reduction of prices and amounts of the main exported goods, including meat products (-22%), dairy products (-27 %), sugar (-24%), rubber and articles thereof (-26%), articles of iron or steel (-25 %), tractors (43%), trucks (-38%), furniture (32 %). At the same time, there was an increase in export of nitrogen fertilizers(52 %), partial boards and similar boards (34%).

Surplus in trade balance is explained by more rapid recovery of export volumes compared with import.



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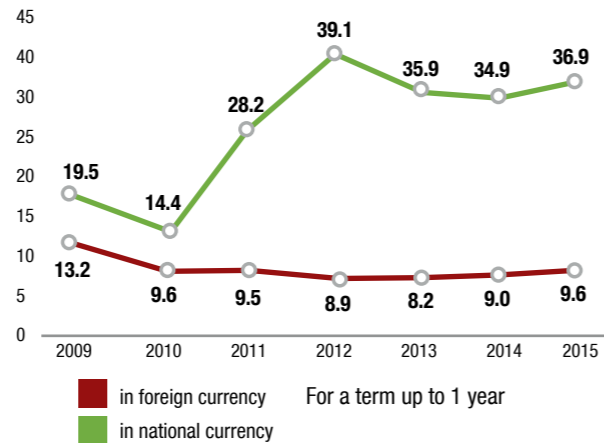


BELARUSIAN ECONOMY

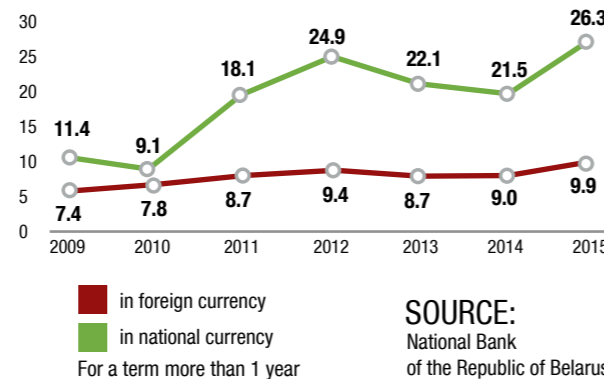
4.6. CREDIT RATES FOR LEGAL PERSONS

The National Bank of the Republic has kept the focus on financial and macroeconomic stability and deceleration of inflation in the formation of interest-rate policy.

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



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



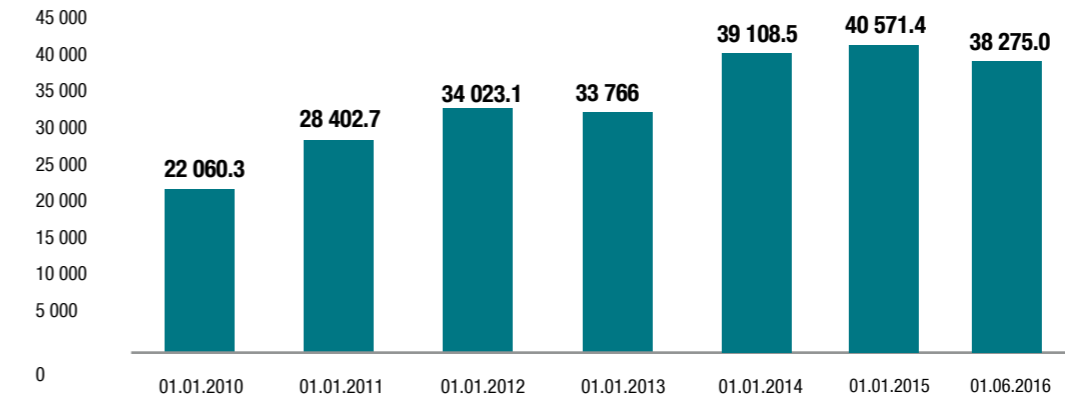
SOURCE: National Bank of the Republic of Belarus

4.7. GROSS EXTERNAL DEBT

The increase in the gross external debt was caused by the need in external borrowings, which in turn occurred due to the negative situation with the current transactions. In 2013 external loans in the amount of 1 795.6 million dollars were borrowed and the gross external debt was repaid by 1 690.4 million dollars. Notwithstanding the stable growth of the gross external debt amount, its ratio to GDP remained at a low level.

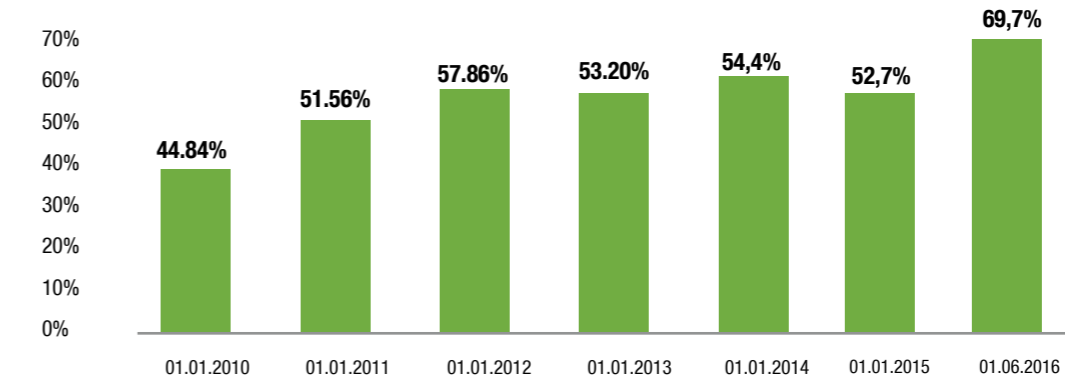
On March 31, 2015 in fulfillment of its stand by loan obligations the Republic of Belarus paid off the last part of the main debt in the amount of 54.7 mln SDR (equal to 75.9 mln US dollars). Thus, Belarus has realized the stand by program, approved by the IMF 3.5 bln loan from January, 2009 to April,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

The history of gross external debt, mln USD



SOURCE: National Bank of the Republic of Belarus

Gross external debt / GDP, %



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



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5. INTERNATIONAL COOPERATION AND FOREIGN CAPITAL IN BELARUS

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

In the wake of the world financial downturn, the foreign trade of Belarus changed structurally. Today the country adopted a trade policy to increase the share of high-tech products in exports and diversify supplies to foreign markets.

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

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

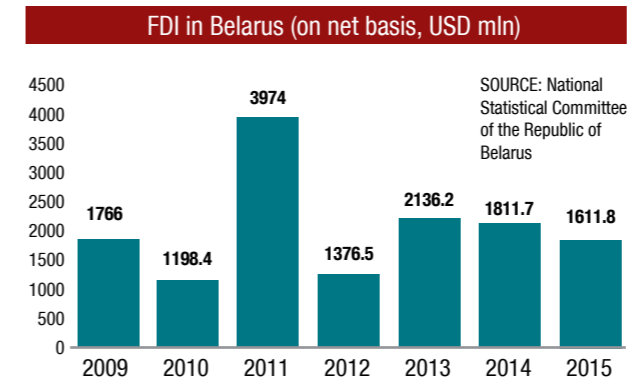
The Russian Federation is the major trade partner of the Republic of Belarus, it accounts for 38.7% percent of export of goods and more than a half of volume of an import. The European Union is the second largest trade partner of the Republic of Belarus, it accounts more than 32.3 percent of export of goods and 19.3 percent of import. The main partner in the EU are Great Britain, Germany, Poland, the Netherlands, Lithuania, Italy.

More than 50 percent of the total Belarusian export of services makes up transport services, reflecting favorable geographical position of the Republic of Belarus. Among the major export position, there are IT and construction services. The main trade partners of Belarus in export of service are the EU (about half of total exports) and Russia (a quarter of exports).

Belarus has been developing cooperation with partners in the integration associations and organizations of the post-Soviet countries: CIS, Eurasian Economic Union and CSTO. A need to mitigate the aftermath of the global economic crisis and

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

5.1. FDI ON NET BASIS

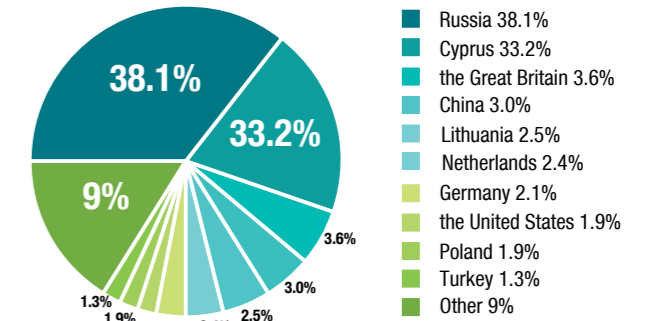


Growth of the gross volume of foreign investments registered in recent years in Belarus, and more symbolic, the increase of foreign direct investment in them. Thus, for example in 2006, this figure was 18.5%, and in 2015 the share of FDI was about 63.8%.

In 2015, foreign investors ploughed 11.3 USD billion of gross foreign investments into the real sector of the economy (excluding banking sector), including 7.2 USD billion of foreign direct investment (FDI), portfolio investments were 0.005 USD billion, other investments were 4.1 USD billion.

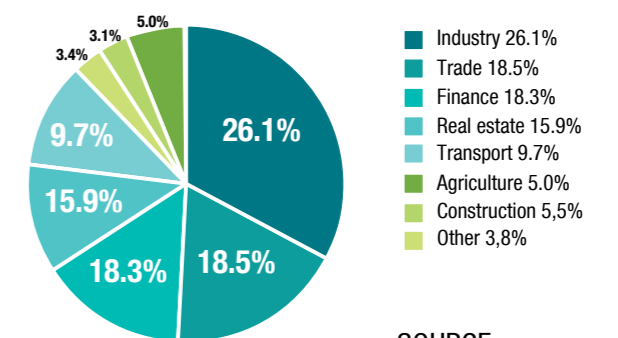
Foreign direct investments on net basis (nonregistering debts to direct investors of goods, works, services) amounted to 1 611.8 USD million in 2015.

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



SOURCE: National Statistical Committee of the Republic of Belarus

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



SOURCE: National Statistical Committee of the Republic of Belarus

Budapest



2 h

2 flights a week

Minsk

Minsk

2 h

3 flights a week



Frankfurt

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5.2. EURASIAN INTEGRATION

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

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

The creation of the Union allows the member states to coordinate their industrial policies, so as not to duplicate production, but arrange manufacturing chains and supply components for joint production. The opportunities for industrial cooperation and joint investment and innovation projects have been greatly expanded. Unlike the previous stages of integration, the EAEU aims at developing unified trade, monetary and tax policies, namely, the maximum possible economic integration.

The EAEU member states possess a great potential in the leading sectors of economy. The EAEU is ranked first in the world in oil and natural gas production, the second place in mineral fertilizer production and railway length, the third place in wheat and potato production, production of iron, the fourth place in electric energy and meat production, the fifth place in total length of automobile roads and steel production.

More than 40 countries have expressed interest in creating a free trade zone with the EAEU. Thus, the regimes of free trade of integration association with the CIS countries and Serbia have been unified. The Generalized System of Preferences for developing countries is being widely used. The decision

to start negotiations with China on trade and economic cooperation has been already taken. The Agreement on Free trade zone between EAEU, its member-states and Vietnam has been signed. Joint research groups to make a feasibility study of a free trade agreement between the states – the members of the EAEU and Israel, Egypt and India – have been established.

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

- free movement of both domestic goods and goods from third countries within the common market of the Union,
- common customs tariff and non-tariff regulation in trade with third countries to protect the interests of domestic producers, including foreign investment enterprises,
- relief from customs duty on the importation of manufacturing equipment, raw materials to implement investment projects (if such raw materials are not produced in the member states),
- tariff preferences to the goods imported from third countries as a contribution to the statutory fund of a company,
- free access to the common large market of goods and services of the EAEU to foreign investors who invest in Belarus,
- effective logistics projects with access to the EAEU and the EU markets due to the favorable geographical location of Belarus,
- legal guarantees for investors, including the right to 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,
- joint measures to promote exports of goods of the member states to third countries contain a number of mechanisms to support exporters, such as insurance and export crediting, international leasing, brand promotion of “the EAEU good” and a uniform marking of the EAEU goods, exhibition and trade fair activities, advertising and image promotion activities abroad;

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

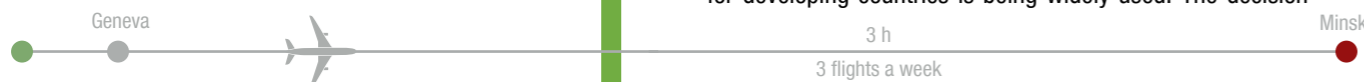
5.3 BELARUS–EUROPEAN UNION RELATIONS. LONG WAY FROM NEIGHBORHOOD TO PARTNERSHIP

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.

Since Belarus gained its independence it has established diplomatic relations with practically all European states. 26 Belarusian diplomatic missions and consulates currently operate in the following 20 countries of Europe: Austria, Bulgaria, Belgium, the Czech Republic, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Serbia, Slovakia, Switzerland, Turkey and the United Kingdom.

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



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open up new avenues for Belarus from 2012 onwards to coordinate practices and policies in these new areas at the regional level.

Cross-border cooperation (CBC) programs where Belarus has been eligible to participate, such as Poland-Belarus-Ukraine, Latvia-Lithuania-Belarus and Baltic Sea Region, account for an important part of regional cooperation at a local level. From the start of these programs Belarus lagged behind in the uptake of available opportunities but over recent years increased its participation. CBC programs are increasingly seen as instruments to implement practical joint actions at a local level in different sectors, address issues of trans-boundary significance and promote people-to-people contacts.

Belarus is also actively involved in non-EU integration initiatives. In particular, it has taken part in all regional integration projects covering countries of the former Soviet Union and the Commonwealth of Independent States, including the Common Economic Space, the Union State, the Customs Union and the Collective Security Treaty Organization. The intensification of these integration efforts will require additional coordination within and outside Belarus between integration and cooperation programs driven from the East and from the West.

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

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

And, taking into account that Belarus has in recent years significantly improved its image in the international arena, and

thus become more attractive for investors and affordable for trade agreements, the European Union lifted sanctions against Belarus. This decision was made by the foreign ministers of the EU countries at a special meeting in Brussels on 15 February, 2016. It has become an important step towards full normalization of relations and opening new opportunities for the expansion of diverse interaction between Belarus and the EU.

Belarus-EU economic cooperation

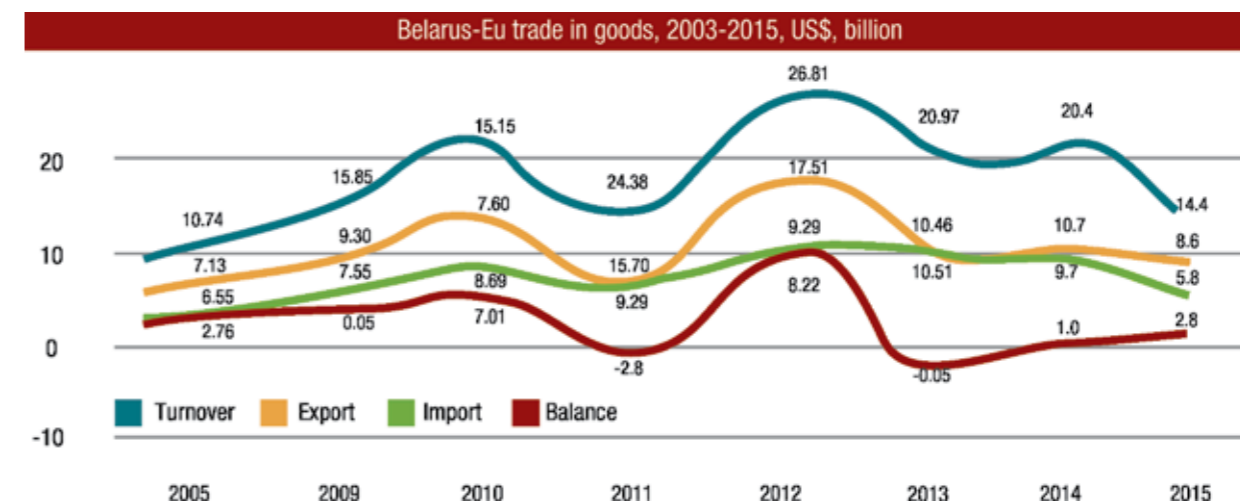
Mutual interests with the European Union member states are based first of all on economic cooperation. Because even against the background of difficult political relations the EU has remained one of the main trade partners, an important source of credit resources and investment.

In the year of 2008 the turnover in trade between Belarus and the EU amounted to 23.0 billion \$, out of which 14.4 billion\$ were exports and 8.5 billion \$ – imports. The balance of trade was in favour of Belarus and amounted to 5.8 billion \$. Trade between Belarus and the EU suffered a 30% decline in 2009-2010 as a consequence of the world economic crisis.

In 2010 Belarus-EU turnover accounted for \$15.1 billion \$. Belarusian exports to the EU shrank to 7.6 billion \$, down nearly 50 per cent compared to 2008. The balance of trade remained in favour of Belarus, but declined to 57.0 million \$. However, the results of trade between Belarus and the EU in 2011 confidently exceeded the pre-crisis peak indicators of 2008. The turnover grew to 24.2 billion \$, up 61.1% compared to 2010. Belarusian exports increased to 15.7 billion \$, up 106.9% compared to equivalent last year's results. The trade balance in favour of Belarus reached 7.2 billion \$.

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

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



Helsinki



1.5 h

3 flights a week

Minsk

Minsk

2.5 h

4 flights a week



Istanbul

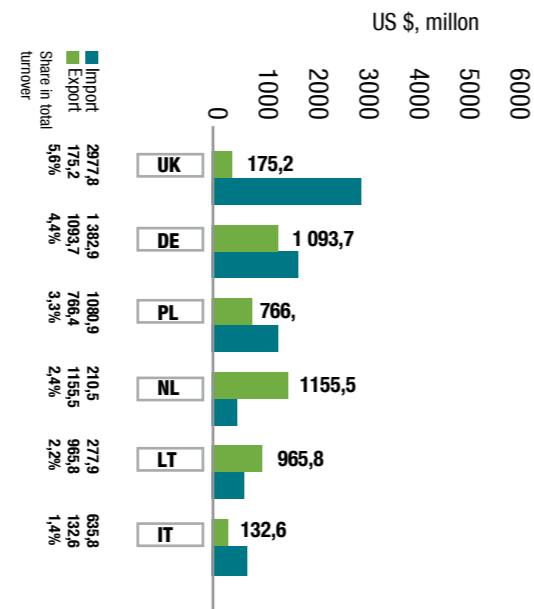
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BELARUSIAN ECONOMY

In 2015 the turnover between Belarus and the EU reached the amount of 14.4 bln dollars that accounts for 70.9% of the turnover of the same period of 2014. The decrease can be explained by the fall in both export (81 % to the same period of 2014) and import (60% to the same period of 2014).

The TOP-6 trade partners of Belarus within the European Union in 2015 were Germany, the United Kingdom, Poland, the Netherlands, Lithuania, Italy

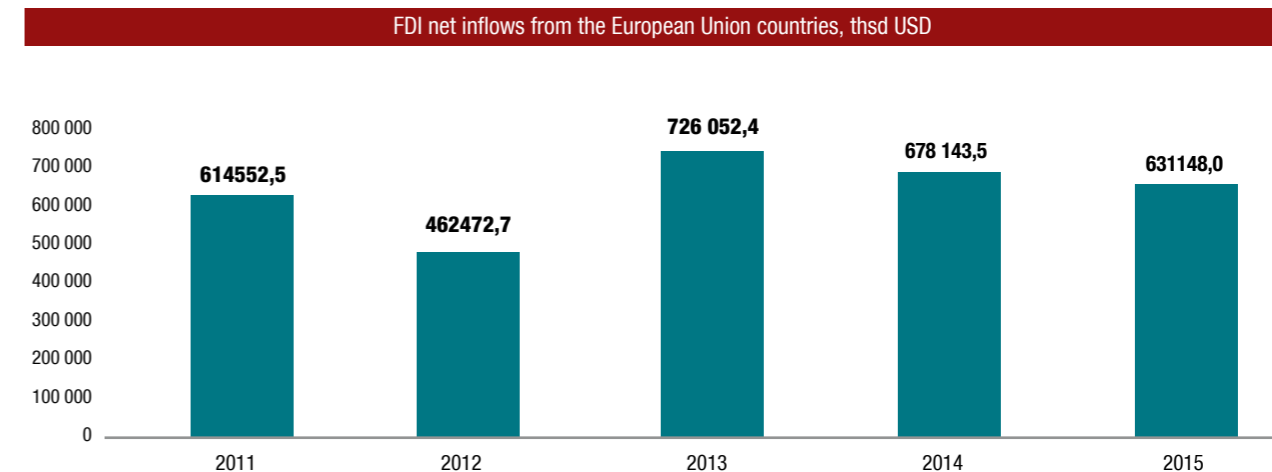


European companies keep expanding their presence in Belarus and upgrading their external distribution and export-promotion networks. A number of European commercial and investment projects are under way Great Britain, Germany, Italy, Lithuania, Poland, the Netherlands, France, the Czech Republic and Estonia. Comprehensive cooperation with the European Union contributes crucially to the country's increasingly diversified foreign trade, investment activity, modernization and growing competitiveness of its economy.

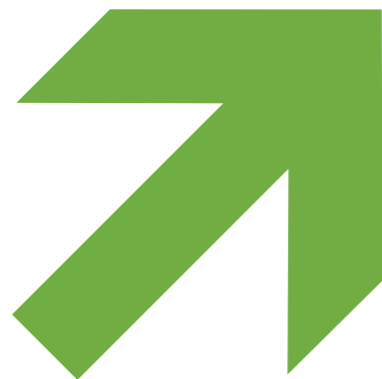
Ensuring compliance of Belarusian products with European quality standards is a vital element of the national export promotion policy in Europe. The national standards system increasingly harmonized with the EU norms and regulations is a key for better access of Belarusian goods to the European market.

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

The EU is the largest source of FDI in Belarus. Statistical data show an increase in European investments in Belarus against a backdrop of deteriorating Belarus-EU political relations. The FDI net inflow from many European countries was considerable in 2011-2015 despite the economic sanctions imposed by the EU. But the normalization of political relations between the EU and Belarus could contribute to further enhance of the cooperation in investment sphere.



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

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

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

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

5.4 BELARUS-CHINA: TOWARDS NEW LEVEL OF COOPERATION

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

China is one of the most important trade and economic partners of Belarus. At the end of 2014, China was ranked fifth

among the world's countries in terms of goods turnover, eleventh – in terms of export turnover, third – in terms of import turnover to Belarus.

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

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

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

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

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



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BELARUSIAN ECONOMY

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

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

Industrial Park “Great Stone” – a place to nurture dreams

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

This industrial park in Belarus is a major cooperative project for deepening economic and trade cooperation and establishing a strategic partnership between China and Belarus.

The industrial park is situated in Smolevichy district, Minsk region, in the distance of 25 km from Minsk, the capital of the country.

Advantageous geographic position allows easy access to Minsk National Airport and the international highway M1 which extends to Moscow on the north (a distance of 700 km), and to Berlin on the south (a distance of 1000 km) as well as having access to Klaipeda seaport in the Baltic Sea (a distance of 500 km). According to the master plan, approved by the Government of the Republic of Belarus in June 2013, production and living areas, offices and shopping malls, financial and research centers are to be located at the territory of the Park.

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

Realizing intense competition for an investor in the world market, the state has created a favorable investment climate for industrial park residents, as guaranteed by the national law, special international agreements and obligations; has provided unprecedented benefits and preferences, has formed a separate and independent state administration body which carries out administrative end-to-end servicing on the principle of a “one-stop shop”.

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

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

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

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

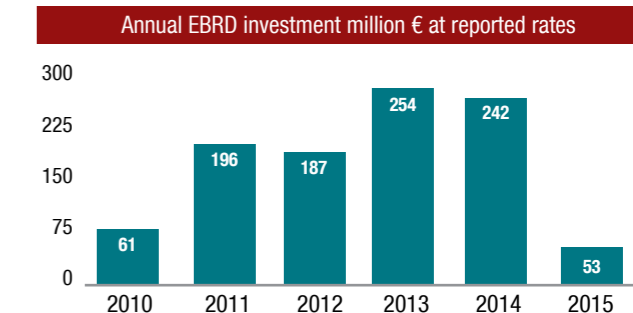
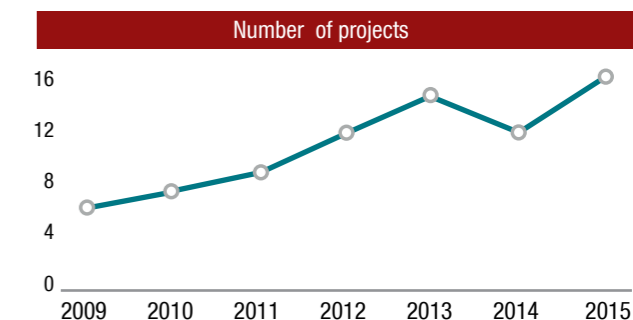
- ZTE
- Huawei
- Zoomlion Bel-Rus

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

5.5. INTERNATIONAL ECONOMIC ORGANIZATIONS

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

Annual Bank investment and number of projects



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

Selected IFC Investments in Belarus

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

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

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

The IFC Advisory Services activities in Belarus are financed by the Swedish International Development Cooperation Agency (SIDA), the United States Agency for International Development (USAID), and the Ministry of Finance of Austria.

In Belarus the IFC committed \$137 million to five banks as part of its Global Trade Finance Program, which broadens access to finance and reduces risks for local banks, in addition to a \$7 million loan to boost financing for small and medium enterprises

MIGA

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

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

The MIGA's guarantee will help RBI obtain relief from the capital adequacy requirements by reducing the risk weighting for the mandatory reserves maintained by RBI's subsidiary in Belarus. This will free up equity tied up for country risk purposes and allow RBI's subsidiary to extend more credit that will stimulate growth, generate employment, and reduce poverty in the country.

Riga

1 h

2 flights daily

Minsk

Minsk

2.5 h

2 flights daily

Rome

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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6. 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 concern.

During 2010–2013 the popularity of investment agreements increased, and as of October 2013 almost 1,300 had been concluded, mostly via municipal authorities. After 2013, the number of new investment agreements has grown insignificantly. As of 1 January 2016 1,844 investment agreements were concluded (including 493 with foreign investors). The government terminated some agreements where it considered that investors had materially breached the terms and conditions.

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

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

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

For large-scale projects an investor may be granted additional benefits, exemptions and legal guarantees not envisaged by law. These may include government obligations to provide a

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

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 concern. 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.

On 15 May 2016 significant amendments to regulation of the investment agreements concluded after this date entered into effect.

The amendments introduce deadlines for the state authority supervising the conclusion of a particular investment agreement, opportunity to obtain land into private ownership, cancel restrictions for the investor related to transfer of the real estate objects before their state registration, and some other.

The amendments also establish additional obligations and responsibilities for investors. After 15 May 2016 investment agreements will 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

Saint -Petersburg



1.5 h

2 flights daily

Minsk

Minsk

2 h

4 flights daily



Stockholm

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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

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.

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.

The official list of objects offered for concession as of April 2016 includes gypsum deposits, chalk deposits, sand and sand-gravel fields, oil shale fields.

6.1.4 INVESTMENT ACTIVITY IN SMALL TOWNS

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

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

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

6.1.5 FREE ECONOMIC ZONES (FEZS)

At present, Belarus has six FEZs (one for each oblast (region) administrative centre, including Minsk). As of April 2016, 416 companies 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;
- FEZ residents should produce within FEZ territory import-substituting goods or goods oriented for export (in this case by 1 January 2017 not less than 50% of goods

produced by residents registered before 15 January 2015 should be exported from Belarus or sold to other FEZ residents, and 50 % of goods officially recognized as substituting import should be sold in the domestic market).

FEZ residents enjoy the following main tax benefits:

- exemption from profit tax within five years of the date of first declaration of profit; afterwards the rate of profit tax decreases by 50% (i.e. currently 9%), provided that the goods (work, services) produced are either exported from Belarus or recognised as import-substituting goods, or sold to other FEZ residents. From 1 January 2016 the FEZ residents registered after 31 December 2011 enjoys exemption from profit tax for ten years;
- 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;
- supply of goods included in the list of import-substituting goods attracts a reduced 10% VAT rate; and
- buildings located within the FEZ are exempt from real estate tax.

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

Certain significant benefits in the nearest future will be cancelled. Thus, from 1 January 2016 the list of import-substituting goods was reduced by 85 positions. And from 1 January 2017 the above list will be abolished at all, and so will disappear all related benefits.

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

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



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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6.1.6 CHINA-BELARUS INDUSTRIAL PARK GREAT STONE

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

In the Industrial Park, a special regime applies to taxation, customs, administrative and other regulations. A “special economic zone” legal regime is intended to foster economic, trade, and investment cooperation between Belarus and China. Within the framework of the regime residents of the Industrial Park are provided with a wide range of benefits and preferences.

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

Industrial Park residents enjoy the following benefits:

- for ten years from the date of registration as residents;
- exemption from income tax on proceeds from sale of goods (work, services) of own production manufactured in the Industrial Park;
- exemption from real estate tax on real estate objects located in the Industrial Park;
- exemption from land tax on land plots in the Industrial Park;
- in the following ten years the rate of income tax, real estate tax, and land tax is reduced by 50%;
- for the first five years starting from the year when profit is first declared by a resident, the income tax rate on dividends paid by an Industrial Park resident to its founder amounts to 0%;
- until 1 January 2027 the income tax rate on royalties paid by Industrial Park residents to foreign organisations amounts to 5%;

- until 1 January 2027, the personal income tax rate for employees of Industrial Park residents is 9%;
- a full VAT refund is paid for imported goods (work, services), property rights used in the design, construction, and equipping of buildings and constructions in the Industrial Park;
- until 1 January 2027, exemption from mandatory sale of foreign currency proceeds received from activities in the Industrial Park;
- exemption from customs duties and VAT on goods (manufacturing equipment, components and spare parts, materials and raw materials) imported into Belarus in order to implement investment projects in the Industrial Park;
- other benefits related to social security payments for employees of Industrial Park residents, terms of processing matters involving foreign labour immigration, and others. In addition, legal acts specify features of construction of Industrial Park objects and infrastructure, in particular:
- investors and Industrial Park residents can choose contractors to construct Industrial Park objects and suppliers of goods for building and equipping them without tenders; design, adjustment of project documentation, construction and commissioning of Industrial Park objects may be carried out in accordance with technical legal acts of China and other foreign countries if project documentation passes public examination in Belarus, safety of construction work and materials is guaranteed and necessary documentation is drawn up in Russian (Belarusian) or a translation of the documentation is provided;
- imported goods for the design, construction, and equipping of Industrial Park objects are not subject to mandatory conformity assessment in Belarus.

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

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

6.1.7 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 lasting until 2020. Administration of the HTP has already initiated consideration of prolongation of the regime until 2030.

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.

HTP residents enjoy the following tax benefits:

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

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.

Warsaw



1 h
3 flights daily

Minsk

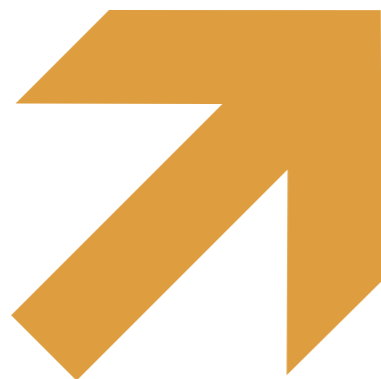
Minsk

5.5 h
1 flights daily



Abu-Dhabi

03 | CHAPTER



LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6.1.8 PUBLIC-PRIVATE PARTNERSHIP (PPP) OPPORTUNITIES

Very recently Belarus has adopted Law on Public-Private Partnership that comes into force on 2 July 2016. It establishes new type of contractual formalisation of arrangements between the state (state partner) and a private business (private partner) – PPP agreements, conclusion of which becomes possible as a result of a bidding procedure organised by state authorities.

PPP projects are performed with respect to objects of engineering, manufacturing, social and transport infrastructure in specific sectors, including energy, owned by the Republic of Belarus, its administrative and territorial units, or constructed within PPP. Law allows private partners and state partners to incorporate business entities for implementing PPP projects in accordance with terms and conditions of the PPP agreements.

Within PPP private partner undertakes obligations of complete or partial designing, construction and (or) reconstruction, restoration, maintenance, modernisation, technical servicing and (or) operation of the infrastructure objects. 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 will be 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;

- unimpeded profit transfer for foreign partners;
- protection of property and other rights.

Besides PPP agreements, another type of contract will be introduced – 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.

6.1.9 BILATERAL INVESTMENT TREATIES

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

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

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

- 1965 International Convention on Settlement of Investment Disputes between States and Nationals of Other States;
- 1985 Convention Establishing the Multilateral Investment Guarantee Agency;

- 1993 Agreement on Cooperation in the Field of Investment Activity;
- 1997 Moscow Convention on Protection of Investors' Rights;
- 2010 Agreement on Trade in Services and Investments in the Member States of the Common Economic Space.

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.

Representative offices are accredited by the Belarusian Ministry of Foreign Affairs. A permit for establishing a foreign representative office is issued for a fixed term of three years. A foreign company pays state duty equivalent to 65 basic units (approx EUR 620) for each year of accreditation of its representative office in Belarus. The number of foreign employees of a representative office is limited to five.



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

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

6.2.1 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 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 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. A LLC is founded by one or more individuals / legal entities (any combination is possible). Shares in a LLC are often referred to as a “participation interest” and do not require separate registration.

Par value of the participation interest, number of votes and share in profit are distributed between shareholders proportionally to the amount of a shareholder’s contributions to the authorised capital of a LLC. However, the shareholders may agree on a different correlation between participation interests, number of votes, and shares in profit. Shareholders in a LLC enjoy a pre-emptive right to purchase a participation interest in a LLC offered to third persons by other shareholders. If none of the shareholders exercises this right, the pre-emptive right passes to the LLC itself. Shareholders in a LLC (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
Open joint-stock company (OJSC)	400 basic units (approx EUR 3,818)	Minimum one Maximum is unlimited	Authorised capital should be declared in BYR and fully paid within 12 months after state registration of the company
Unitary enterprise	BYR 1	Only one owner of assets	
Closed joint-stock company (CJSC)	100 basic units (app. EUR 955)	Minimum one Maximum 50	
Limited liability company	BYR 2	Minimum one maximum 10	

6.2.2 MANAGEMENT

Management structures are specific for each legal form of company.

Unitary enterprise

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

Astana



4.5 h
3 flights daily

Minsk

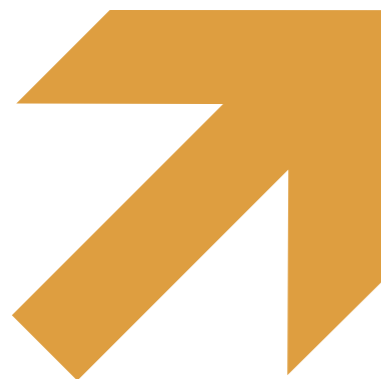
Minsk

3.5 h
2 flights a week



Baku

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Joint-stock and limited liability companies

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

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

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

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

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

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

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

Shareholders' agreement

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

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

A shareholders' agreement may set the following obligations:

- to vote in a certain way at a general meeting of shareholders;
- to coordinate a voting option with other shareholders;
- to acquire or dispose of shares at a predetermined price and/or subject to occurrence of certain circumstances; to refrain from disposing of shares before the occurrence of certain circumstances; and
- to perform other concerted actions associated with the management of the company, company activities, reorganisation, and liquidation of the company.

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

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

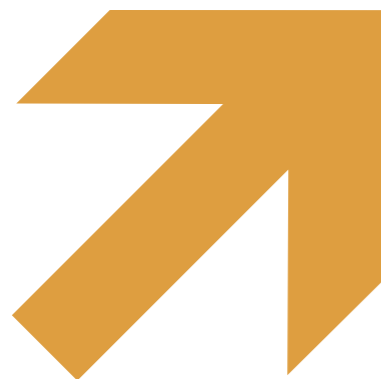
Establishing a company

Generally, incorporation of a company includes the following steps:

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



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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 PRIVATISATION

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

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

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

Investors are welcome to select privatisation targets from the list and send a brief letter of interest to the State Property Committee. Letters are reviewed by a special commission that decides on the feasibility of preparing a decision of the

President on privatisation of shares via tender, auction or direct sale.

The investor may also send a letter of interest in respect of objects that do not appear on the State Property Committee list. Basically, any object can be sold if an investor is interested and the state finds the conditions proposed by that investor interesting.

Becoming co-founder of an open joint-stock company

Decisions on transformation of the unitary enterprises into open joint stock companies are made on a case by case basis by competent state authorities. The Belarusian 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.

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

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

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 (Department of Price Policy of the Belarus Ministry of Economy or antimonopoly and price policy departments of municipal authorities).

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

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

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 shares (participation interest) in the target;
 - b. the acquirer and the target perform their activity in the same commodity market;
 - c. the acquirer is a business entity holding a dominant position in that market
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.



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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 amount of shares (participation interest) of a target (all of the following conditions should be met):

- a. acquisition may take any form as long as control over disposal of shares (participation interest) is gained (e.g. purchase, trust management, agency); and
- b. the acquirer is a business entity or an individual; and
- c. the intended transaction results in the acquirer's right to dispose of more than 25% of the shares (participation interest) in the target, if before the transaction the acquirer has no right to dispose of the target's shares (participation interest) or has the right to dispose of not more than 25% of the target's shares (participation interest), or
- d. the intended transaction results in the acquirer's right to dispose of more than 50% of shares (participation interest) in the target, and before the transaction the acquirer has the right to dispose of more than 25% but not more than 50% of the target's shares (participation interest).

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.

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

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

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

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

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 BYR against the other currency (the list comprises 78 foreign currencies, including USD and EUR). Certain limitations as to the use of foreign currency in settlements with foreign companies may be set in international treaties to which Belarus is a party.

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

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

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

Budapest

2 h

3 flights a week

Minsk

Minsk

2 h

3 flights a week

Frankfurt

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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

6.5.3 REQUIREMENTS FOR OBTAINING A LOAN FROM A NON-RESIDENT

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

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

6.6 LEGAL STATUS OF LAND AND OTHER REAL PROPERTY

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

6.6.1 REGISTRATION OF REAL PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.6.3 BUILDINGS AND CONSTRUCTIONS

Belarus has no codified legal act regulating the status of



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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

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

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

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

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

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

6.6.4 MORTGAGE

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

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

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

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

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

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

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

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

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.

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

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

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

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:

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

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.

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 loss of profit in case of disclosure.

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

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. From 25 July 2014, the director of a privately-owned company or the company with a state share of less than 50% can combine their job with a secondary job in another company. Directors of state-owned companies and companies with a state share of 50% or more cannot combine jobs, except for teaching, scientific work, art, and medical practice.

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.

Kiev



1 h

2 flights daily

Minsk

Minsk

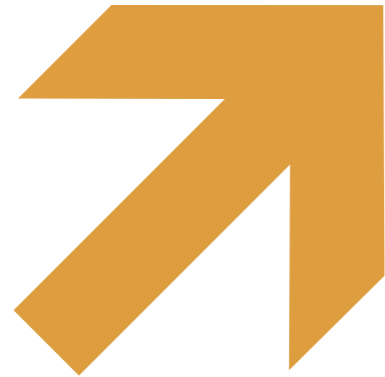
3 h

3 flights a week



London

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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

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.

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 are expected to be adopted soon.

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 five basic units (approx EUR 48) for claims by natural persons and ten basic units (approx EUR 96) for claims by legal entities. The enforcement fee for non-proprietary claims is paid for each execution order.

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 by international arbitration courts in Belarus can be annulled by the Supreme Court.

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

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

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.

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.



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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 PROFIT TAX (CPT)

The standard rate is 18 %.

Reduced rates are 12 % (for dividends); 5 % (for members of the Science and Technology Association established by the Belarusian State University). For free economic zones the CPT rate is 50% of the standard tax rate (but not more than 12 %) if certain specific requirements are met. Banks and insurance companies pay CPT at a rate of 25 %.

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

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

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

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

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

7.3 PERSONAL INCOME TAX (PIT)

The standard rate is 13 %.

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

A rate of 9 % applies to the income of individuals (except for employees who provide maintenance and security services with respect to buildings, premises, and land plots) drawn from residents of a High Technology Park under employment contracts as well as income earned by residents of a High Technology Park who are individual entrepreneurs. 4 % rate is applicable to winnings from gambling.

7.4 SOCIAL SECURITY FUND CONTRIBUTIONS (SSFC)

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

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

7.5 VAT

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

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

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

7.6 REAL ESTATE (RET)

The standard RET rate is 1 % for buildings and constructions and 2 % for unfinished buildings and constructions. The tax rate for individuals and individual entrepreneurs is 0.1 % and 0.2 % a year.

Under the Tax Code, real estate tax rates can be increased or decreased by local authorities up to two and half times for certain categories of taxpayers and up to ten times for certain real estate objects.

7.7 LAND TAX

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

Geneva

3 h

3 flights a week

Minsk

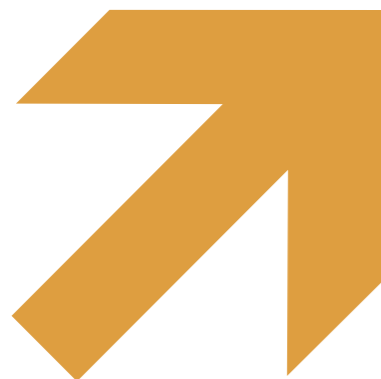
Minsk

2 h

2 flights a week

Hannover

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LEGAL ENVIRONMENT FOR FOREIGN INVESTMENTS

7.8 OFFSHORE LEVY

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

The rate of the offshore levy is 15%.

The following transactions are subject to taxation:

- transfer of funds by residents of Belarus to non-residents of Belarus registered in offshore zones, or to other persons under obligations to non-residents mentioned above, or to accounts opened in offshore zones;
- settlement of a non-cash obligation to a non-resident of Belarus registered in an offshore zone;
- transfer of property rights or obligations due to a change of parties' obligation when they comprise a resident of Belarus and a non-resident of Belarus registered in an offshore zone.

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

In 2016 Belarus has effective DTTs with 67 countries.

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

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NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION



JUNE•2016

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