

Invest in Belarus Guidebook

Investment opportunities,
legal and economic environment

PREPARED BY



NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION
REPUBLIC OF BELARUS

Arzinger
Law Offices



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

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

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

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

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

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

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

Aleksandr Chervyakov
Minister of Economy,
Republic of Belarus

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Dear Reader,

We assume that by the time you have read this guide, you have already been familiar with preferential regimes existing in Belarus (FEZs, HTP, Industrial Park) and the basic information on legal regulations in our country.

Being lawyers, who have 15 years of work experience with foreign business in this jurisdiction, we have had to go into details that you need to pay attention to when opening and running a business.

The updated guide contains the laws of primary interest, including the updates of the Law “On Investments”, the Law “On Currency Regulation and Currency Control”, the Tax Code, and the latest developments of the Law “On Companies”, as well as the new rules of the Belarusian immigration legislation. We are glad to share this information with you, along with other useful details, structured into the sections.

We are always open to face-to-face communication with you and to interaction within the existing local and foreign business associations and their representative offices in Belarus.

Sincerely yours,

Sergey Mashonsky
Senior Partner, Arzinger Law Offices



Investment Opportunities



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1. BELARUS IN WORLD RANKINGS:

STRONG POTENTIAL, GOOD PERFORMANCE

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

According to the Doing Business 2020 ranking, Belarus occupies 49th place.

According to the data of the World Bank, the Republic of Belarus has maintained its leading position in the total number of reforms aimed at improving business climate. In the ranking of Doing Business 2020, the Republic is on the 49th position among 190 countries. In the Starting a Business ranking Belarus occupies the 30th position. Belarus made starting a business easier by abolishing the requirement to register the book of Registry of Inspections, and allowing its purchase within six months of incorporation. By the Dealing with Construction Permits ranking Belarus is on the 48th position. Belarus made dealing with construction permits easier by streamlining the process at the one-stop shop. International rating agency Standard & Poor's has assessed the position of Belarus' long-term sovereign credit rating for foreign currency liabilities at "B". Moody's Investors Service rating agency has affirmed Belarus' long-term sovereign credit rating at "B3".

Fitch Ratings rates Belarus' long-term sovereign credit rating for foreign and domestic currency liabilities at "B".

In 2020, the country ranked 63rd out of 180 countries in the Transparency International Corruption Perceptions Index for 2020. Belarus has been ranked 64th in the world in the Global Innovation Index (GII) 2020 prepared jointly by Cornell University, INSEAD Business School and the World Intellectual Property Organization (WIPO).

The country has climbed 8 places since last year, taking its place between Georgia and Tunisia. One of the main drivers that improved Belarus' ranking in the GII is mobile app development. The country is now ranked 11th worldwide in the «Mobile app creation» indicator.

It should be noted, that Belarus is ranked 30rd in the world in the percentage of white collar (intellectual) workers to the total number of employees. The country is also No. 2 in the world in the proportion of females with an advanced academic degree to the total number of people employed in the economy.

In the 2020 Global Food Security Index compiled by The Economist Intelligence Unit, Belarus moved up to 23rd place among 113 countries, ahead of Russia, Poland and Ukraine. A year ago, Belarus ranked 36th.

Belarus ranked 36th among 174 countries in the calculation of the Human Capital Index 2020. The global HCI is 56% (37% for low income countries, 70% for high income countries). Belarus scored 70%. This is higher than the average for Europe & Central Asia region and Upper middle income countries. For comparison: in Poland the HCI is 75%, in the USA - 70%, in Russia - 68%, in China - 65%, in Ukraine and Kazakhstan - 63%.

According to the Human Development Report 2020, Belarus ranks 53th out of 189 countries in the Human Development Index. Belarus is included in the very high human development category.

Belarus ranks 47th out of 163 in the 2020 Social Progress Index. Belarus has improved its position in comparison with the previous results. Belarus has the highest scores on the following components of social progress: access to basic knowledge, nutrition and basic medical care, water and sanitation, shelter, personal safety.

According to the UN E-Government Survey 2020 "E-Government in Support of Sustainable Development", the Republic of Belarus ranked 40th in the E-government Readiness Index, having moved 9 positions up as compared with the 2016. Maintaining the position in the top 40 countries on the level of development of e-government technology has become possible thanks to government programs for digitalization. Belarus is ahead of such countries as Belgium, Greece, Latvia, China, Kuwait, Malaysia, Saudi Arabia, Serbia and Slovakia.

7 IT-companies with development offices in Belarus were included in "The 2021 Global Outsourcing 100" rating. This is a rating of the 100 best outsourcers in the world according to the International Association of Outsourcing Professionals (IAOP). The Belarus-based companies included in the top-100 best outsourcers were as follows: A1QA, Bell Integrator, Ciklum, IBA Group, Intetics, Itransition, SolbegSoft. The main selection criteria were a company's profitability, team growth, the best projects, customer recommendations and the level of corporate social responsibility and innovation.

According to the rating of European Cities and Regions of the Future 2020-2021, compiled by FDi Intelligence (division of The Financial Times), Minsk entered the top-10 Best Cities for Cost Effectiveness in Europe, taking the second place after Tbilisi. The European Cities and Regions of the Future 2020-2021 rating is an analysis of European cities in terms of business and investment development. The research was carried out by the leading experts of the Foreign Direct Investment division and was based on the analysis of the economic potential, human resources, level of costs of doing business, living standards, quality of infrastructure, ease of doing business, strategy to attract foreign direct investment.

DOING BUSINESS 2020		GLOBAL INNOVATION INDEX 2020		HUMAN DEVELOPMENT REPORT 2020		THE SOCIAL PROGRESS INDEX 2020	
Country	Index ranking	Country	Index ranking	Country	Index ranking	Country	Index ranking
New Zealand	1	Switzerland	1	Norway	1	Norway	1
Lithuania	11	Poland	38	Poland	35	Poland	31
Kazakhstan	25	Ukraine	45	Russia	52	Lithuania	32
Russia	28	Russia	47	Belarus	53	Belarus	47
Belarus	49	Belarus	64	Turkey	54	Ukraine	63
Ukraine	64	Kazakhstan	77	Ukraine	74	Kazakhstan	67
Uzbekistan	69	Azerbaijan	82	Armenia	81	Russia	69
Kyrgyz Republic	80	Kyrgyz Republic	94	Azerbaijan	88	Kyrgyz Republic	89

2. PROMISING SECTORS FOR INVESTMENT

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



information and
communications
technologies



sugar and
confectionery industry



railway and
air transport



construction, reconstruction
and equipping checkpoints
across the state border
Belarus



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



leather and footwear
industry



metallurgy



grain processing industry



recycling of secondary
material resources



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



textile industry



canning industry



culture



public service activities



oil and fat industry



creation and
development of the
logistics system



mechanical engineering



2.1 PHARMACEUTICAL INDUSTRY

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

HIGH-LEVEL HR POTENTIAL

Pharmaceutical industry of the Republic of Belarus employs more than 10 thsd. professionals of different qualification levels possessing a wide range of skills. Every year they are joined by specialists skilled in the development of original and generic drugs using biotechnology and organic synthesis methods, registration and promotion of drugs on foreign and domestic markets, quality control at all stages of the life cycle of drugs, wholesale and retail sales, pharmaceutical marketing and management.

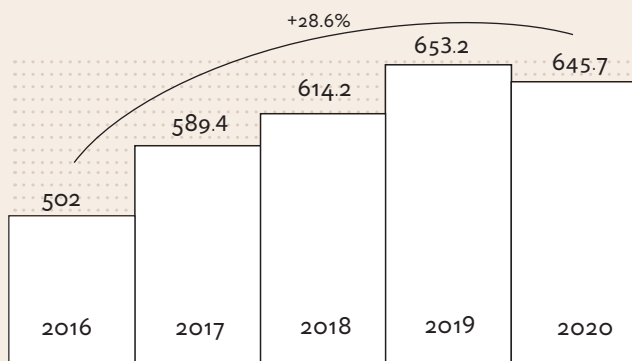
GOVERNMENTAL SUPPORT OF INVESTMENT PROJECTS IN THE PHARMACEUTICAL INDUSTRY

Belarus has adopted a comprehensive state program for the development of the pharmaceutical industry.

The objectives of the Belarusian pharmaceutical industry are as follows:

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

Pharmaceutical production in Belarus, USD million



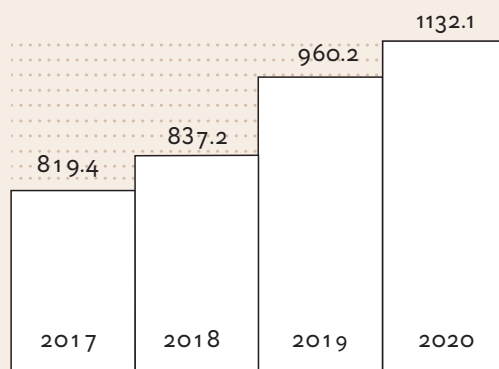
As of January 2020, the amount of medicines produced in Belarus amounted to 1,670 items (in 2008 - 550 items), of which 95 were original, 1533 - generic, 23 - innovative.

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

The production of pharmaceutical products over the past five years increased by 28.6% and amounted to USD 645.7 million.

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

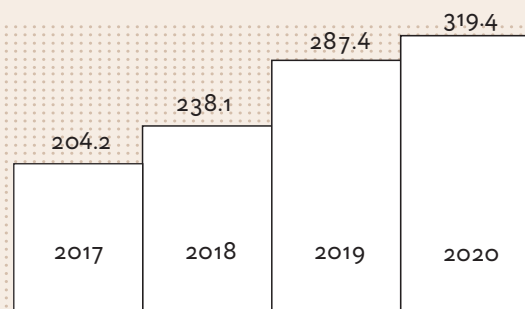
IMPORT OF PHARMACEUTICAL PRODUCTION
TO BELARUS, USD MLN



Share of imported domestic drugs, %

51.9	53.7	53.5	50.2	50.0
2016	2017	2018	2019	2020

EXPORT OF PHARMACEUTICAL PRODUCTS FROM BELARUS, USD MLN



Source: National Statistical Committee of the Republic of Belarus

As part of the implementation of the State Program of Development of Pharmaceutical Industry of the Republic of Belarus for 2016 – 2020, 94 names of medicines, including 39 for the first time in Belarus (mainly used for treatment of diseases of cardiovascular system, nervous system, diabetes, etc.) were registered and transferred by domestic manufacturers to the production stage in 2020.

The share of domestic medicines on the Belarusian market in value terms in 2020 is estimated at 50%. A further build-up of import-substituting pharmaceutical products is to a great extent dependent on the availability of raw materials and active pharmaceutical ingredients, which, however, are not produced in Belarus. Thus, about 60 substances for the production of medicines are synthesized in the country and more than 800 are imported. Generally, substances are bought in countries with significant competitive advantages in the production costs, namely India, Pakistan and China. Since the production of substances is very expensive and based on scale effect, and also has low marginality, it is more appropriate to produce finished pharmaceutical products (FPPs) in Belarus.

In 2020, exports of pharmaceutical products and pharmaceuticals grew by 56.4% in 4 years. The geographical structure of export reveals the significant impact of the CIS countries. More than 70% of export goes to the Russian Federation. The mass segment and low prices are the main competitive advantages of Belarusian medicines producers.

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

Expansion of the export portfolio to 35 countries is planned.

Indicative is the double growth of exports of pharmaceutical products in the total volume of innovative pharmaceutical products in 2019 compared to 2018 (the share increased to 32.6% in 2019, of which in the Russian Federation - 28.3%).

One of the main tasks of pharmaceutical industry development is to optimize the nomenclature produced by domestic pharmaceutical companies in order to saturate the domestic pharmaceutical market and stimulate entry into foreign markets.



2.2 TRANSPORT AND LOGISTICS

COUNTRY FOR LONG-TERM PARTNERSHIP

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

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

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

The main share in the structure of goods transit by type of transport in 2020 belongs to road transportation - 40, railroad transportation - 31.4% and pipeline - 28%.

Exports of transport services in 2020 totaled 3,214.9 million US dollars, including 841.6 million US dollars by rail, 1,391.5 million US dollars by road, 319.7 million US dollars by sea, and 548.2 million US dollars by pipeline.

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

Over 5 years (2016-2020) the "Transport" type of activity attracted more than 10 billion U.S. dollars of foreign investment.



The length of railways amounts to 5480 km, including 1,228 km of electrified sections, 2019



The length of motor roads is 102.6 thousand km, including 89.1 thousand km of hard-surface roads, 2019



The total pipeline length is nearly 11.8 thousand km, 2/3 of which are gas pipelines, 2019



The total length of the operated waterways amounts to 2,100 km, 2019

WATER TRANSPORT

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

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

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

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

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

There are 827 vessels, including 333 self-propelled and 494 non-self-propelled ones, registered in the State Ship Register of the Republic of Belarus. The total tonnage of cargo ships is more than 240 thousand tons.



200 thousand passengers and about 2.7 million tons of cargo were transported, 2020

AIR TRANSPORT

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



There are 6 international airports and 9 certified aerodromes in the country, 2020



More than 1.7 million passengers and about 31.6 thousand tons of cargo were transported, 2020

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

There are seven airlines registered in the republic that carry out international air transportation, five of which are cargo airlines. Belavia airline, which is the main passenger carrier, operates modern aircrafts of western production, purchased in ownership or with the use of leasing schemes. There are 11 certified aerodromes in the Republic of Belarus, of which 6 are international. The leader in the volume of serviced passenger traffic is the Minsk National Airport (96%). Regular flights to Minsk National Airport were carried out by 22 airlines. Over the period 2016-2020, the following work was carried out as part of the improvement of the existing infrastructure and the renewal of the aircraft fleet. The passenger aircraft fleet was updated by acquiring new types of aircraft, including business class. This made it possible to tap new transportation markets, significantly increase the frequency of flights to Europe and CIS countries, expand charter programs, as well as reduce airfreight operating costs and ensure significant savings on aviation fuel. As part of the development of a multimodal industrial and logistics complex "Bremino-Orsha" implementation of the investment project to reconstruct the airfield Orsha is completed. The main maintenance and repair hangar of the new aircraft repair plant on the territory of Minsk National Airport was put into operation, etc.

AUTOMOBILE TRANSPORT



992.7 million passengers and about 159.8 million tons of cargo were transported, 2020

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

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

International cargo transportation by road occupies the 2nd place in the export of services in Belarus, second only to the export of services in the IT sector.

There were 3,134.4 thousand passenger cars registered in Belarus on January 1, 2021, their number increased by 40 thousand units compared to January 1, 2020.

In 2019, the International Road Transport Agreements were ratified with China, Great Britain and France, as well as amendments and additions were made to the International Road Transport Agreements with the Republic of Moldova, the Kyrgyz Republic and Uzbekistan.

According to the Association of International Road Carriers "BAMAP", freight carriers provide 98% of foreign exchange earnings in the volume of road transport services export.

RAIL TRANSPORT



The operational length of the railways is 5.5 thousand km, 2020

In 2020, 60 million passengers and about 125 million tons of cargo were transported, 2020

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

More than 73 thousand people work in the organizations of railway transport. The state association "Belarusian Railways" is the operator of the Belarusian railway network, which provides about 75% of all freight traffic in the country, as well as more than 50% of passenger traffic.

More than 700 freight trains run on the Belarusian railway every day. Currently, the passenger railway service covers more than 2100 localities in the Republic.

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

Annual growth of container traffic is expected to be at least 10% annually, taking into account the measures taken to attract transit cargo flows, and by 2025 the volume is projected to be at the level of 1 million containers.

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

PIPELINE TRANSPORT

The share of pipeline transport in the total cargo turnover of Belarus is 42%.

Druzhba (large oil pipeline) and Yamal-Europe (main gas pipeline) pipelines are of particular importance, providing transit transportation of energy-sources from Russia to the European Union through Belarus. The total length of pipelines is within 11.8 thousand km, 2/3 of which are gas pipelines.

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

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

Within the 2010-2020 period, in the Republic of Belarus transport services accounted for almost a third of the services exports growth (43 percentage points) and grew up by 1.6 times: from 2.3 billion US dollars in 2010 to 3.7 billion US dollars in 2020. The main consumers of transport services from the Republic of Belarus are Russia, Germany, USA, Lithuania. It is predicted that in the medium term, the growth in export of transport services will be determined by the increase in commodity circulation and by 2025 will amount to about 5.2-5.5 billion US dollars.

LOGISTICS INFRASTRUCTURE

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

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

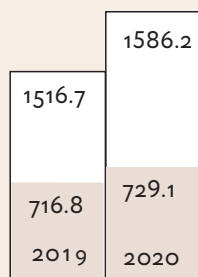
In 2020, the total value of logistics services amounted to 209.9 million US dollars (including 83.4 million US dollars by logistics centers and 126.5 million US dollars by logistics operators).

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

In 2020, 9 new significant warehouse logistics facilities were put into operation. New supply on the industrial and warehouse real estate market amounted to 46 thousand square meters, which is a good enough indicator. However, the shortage of supply still characterized the state of the market, which allowed to maintain average market rental rates at a relatively high level. Individual, the highest rates for quality warehouses, close to Minsk, and remained at a level of 7 euros per square meter. The demand both for warehouse space and for the services of professional logistics companies, customs warehousing services remained moderate but stable. (according to Colliers International)

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

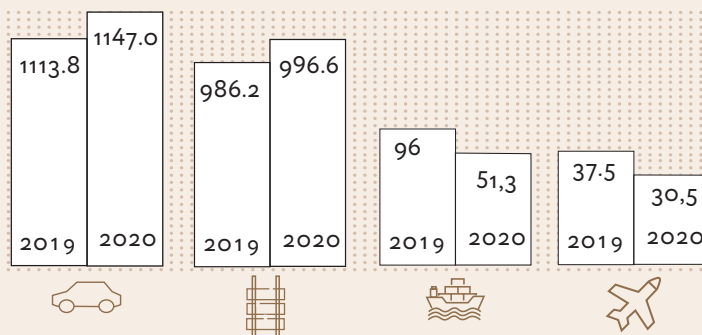
Volume of freight forwarding services
(Association of International Freight Forwarders and Logistics «BAIF»)



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

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

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



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

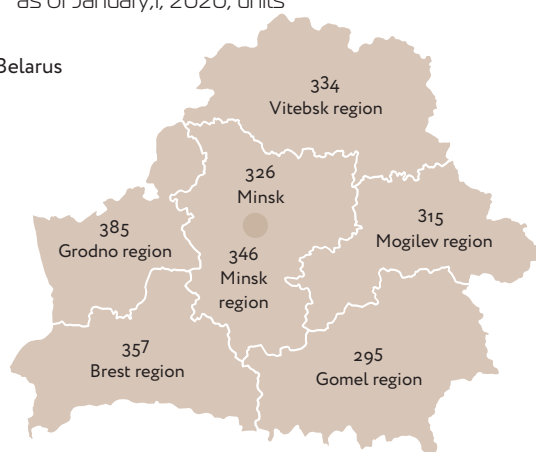
With the purpose of integration into global logistics schemes two special economic zones have been created in the Republic of Belarus – the China-Belarus Industrial Park «Great Stone» and «Bremino-Orsha».

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

The warehouse real estate market is stable, and supply and demand are balanced. The legal conditions created and being created in the Republic of Belarus will increase the number of services provided by logistics operators in logistics centers.

NUMBER OF CARS PER EVERY 1000
OF THE POPULATION,
as of January 1, 2020, units

Source: National Statistical
Committee of the Republic of Belarus



2.3 AUTOMOTIVE INDUSTRY

Mechanical engineering is one of the main industries that determine the development of the world economic system. Its technological level dictates the price and quality parameters of products of industrial enterprises and related industries, and ensures their competitiveness. The machine-building complex of Belarus includes production of electrical equipment, machinery and equipment, computer, electronic and optical products, as well as transport vehicles and equipment. It accounts for more than 17% of the Republic's manufacturing industry in 2020.

Modern innovative processes in Belarusian mechanical engineering are based on higher-level technologies (bio -, nanotechnology, information and communication, aerospace), the use of the latest materials with specified properties, and achievements of micro - and photoelectronics, which form the technological basis of the knowledge economy. The production potential of the machine-building industry in Belarus consists of the highly qualified workforce and extended infrastructure, which includes know-how, scientific organizations, supply and distribution channels.

Industry leaders:

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

In 2020, engineering products output totaled 7.3 billion US dollars. The growth was observed in the production of vehicles and equipment (+5.0%). Lead-acid batteries, harvesting machines, trailers and semi-trailers, agricultural equipment, motorcycles and bicycles showed the largest increase in production volumes in 2020. Also, exports of such mechanical engineering goods as tractors increased by 6% in volume terms in 2020, refrigerators and refrigeration equipment by 7%. Exports of mechanical engineering goods with the most significant increase in the value of supplies in 2020: cars for the transportation of 10 or more people (+65.5%) and cars (2.4 times growth). More than 60% of Belarusian engineering products are sold abroad.

Electric transport development in Belarus

In order to stimulate demand and create favorable conditions for the development of the production of electric vehicles and automotive components, the Presidential Decree of the Republic of Belarus "On the Promotion of the Use of Electric Cars" was signed in March 2020. The Decree provides benefits for the owners of electric vehicles, such as exemption from road tolls and public parking charges;

exemption of individuals from VAT when purchasing an electric vehicle for personal use; exemption of electric charging stations from VAT, etc. Also, according to the Decree, land property for electric charging stations will be provided without auctions.

A total of 52,768 new cars were sold by Belarusian dealers in 2020, of which passenger cars accounted for 88.9% and commercial vehicles - 11.1%. The market share of B-class passenger cars was 40.3% in 2020.

In order to actively attract investment in the machine-building complex, work is being carried out in the following areas:

- formation and development of innovation-industrial clusters;
- activation of industrial subcontracting and technology transfer;
- implementation of joint infrastructure projects with investors on the basis of public-private partnership;
- creation of a set of stimulating conditions for investments aimed at acceleration of development and implementation of fundamentally new technologies, implementation of innovative projects, increase of resource efficiency of production and quality of products;
- growth of capitalization of mechanical engineering organizations.

The development of cooperation, interaction and cooperation in the machine-building industry contributes to improving the investment climate, increasing the export component of enterprises-manufacturers of the machine-building industry.

2.4 FOOD INDUSTRY

GROWTH POTENTIAL

Belarus is almost completely self-sufficient in food: imports account for less than 10% of the total consumption. Some types of food products are export potential. Belarusian products are widely known abroad. Over the recent years, Belarus has become one of the leading food exporters. Production of agricultural products per capita corresponds to the level of developed countries, and in many positions (production of potatoes, sugar beet, meat, milk) exceeds the indicators achieved in the CIS countries.

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

FEEDSTOCK

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

Belarusian agricultural production ensures national food security.

Production of food, beverages and tobacco products in 2020 accounted for 30% of the total manufacturing industry.

Food security is considered one of the main indicators of socio-economic development of any region.

According to the Global Food Security Index, 2020, Belarus ranks 23th out of 113 countries:

Global Food Security Index 2020	
Country	place
Finland	1
Germany	13
Belarus	23
Russia	24
Poland	25
Ukraine	54

Belarus ranks 26th in the world according to the sub-index "quality and safety".

Country	place
Canada	1
Finland	6
Belarus	26
Russia	30
Poland	33
Ukraine	46

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

The Republic of Belarus is the leader among the CIS countries in the production of dairy and meat products, as well as in growing potatoes. Thus, in 2020, the largest growth of supply to the Russian Federation in the value terms was observed for such products as cheese and cottage cheese (by 52.7 million USD relative to 2019), soybean oil (by 17.7 million USD relative to 2019).

Belarus is among the world's top 3 exporters of butter, whey powder, cheese, skimmed milk powder and condensed milk (among the top 5) (Milk market observatory, 2020).

Belarus is steadily ahead of its EAEU partners in terms of milk production per capita, as well as egg production per capita. In 2020, the export of meat and meat products to non-CIS countries in physical terms increased 2.1 times compared to the previous year, the export of milk and dairy products to non-CIS countries increased by 1.6 times compared to 2019. In 2020, sugar exports to non-CIS countries increased 16-fold in volume terms. The most significant increase in the value of supplies is demonstrated by exports of cheese and cottage cheese (+6.9% relative to 2019), sugar exports (+38.1 relative to 2019), rapeseed oil exports (+19% relative to 2019).

The Republic of Belarus is one of the world's leaders in per capita milk production and is ahead of such countries as the Russian Federation, Ukraine and Kazakhstan. The Russian market accounts for about 95% of all Belarusian exports of whole milk, dairy products and cheese. Russia is also the main export market for milk powder (52.7%) and butter (58.4%). Other important markets are Kazakhstan (milk powder, butter) and China (milk powder and whey).

Belarus is among the 15 world's largest exporters of dairy products. In recent years, more than half of the milk produced and about 35% of the meat sold on the foreign market. The country is ahead of the Russian Federation, Ukraine and Kazakhstan in the production of milk and meat in slaughter weight per capita. At the same time, twice as much meat is produced per capita in the Republic of Belarus as in the Russian Federation, Ukraine, and Kazakhstan. Belarus is among the top 30 countries for meat exports.

The food industry in Belarus is attractive to foreign investors. Projects to produce import-substituting licensed products in the brewing and confectionery industries and a number of joint ventures have proven themselves well.



2.5 IT INDUSTRY

Information and communication technologies cast the role of an essential development tool for the high-tech sector of the economy, providing conditions for the transition to the digital economy, improving the institutional and creating a favorable business environment. The share of the gross added value of the ICT sector in GDP has almost doubled in five years and reached 6.6%. Further increase in the number of residents of the Hi-Tech Park Belarus (HTP Belarus) played the pivotal role in the added value growth. HTP Belarus was established in order to increase the competitiveness of the industry and to attract new investors.

Hi-Tech Park provides its residents with minimal taxes, instruments of the so called "English law", possibility of free movement of capital, transparent regulations for block chain and crypto currency, a lot of other benefits.

HTP resident companies may operate within 37 types of activities: from advanced solutions in the sphere of AI to the development of top-level software, engineering solutions, games and mobile applications, IT for healthcare, agriculture, fintech, banking software, laser technologies, optics. Over the past year, 301 residents have joined the HTP. A fivefold increase of the Hi-Tech Park residents from 192 to 1021 was a matter of only four years after the digital Decree came into force.

According to the Balance of Payments, the share of telecommunications, computer and information services exports was 30.7% of total services exports for 2020 (second only to transportation services) and increased by 12% relative to 2019.

Computer services are the most dynamically developing type of services: in 2020 their exports will reach 2.5 billion US dollars (compared to 160 US dollars million in 2009).

The reasons for the rapid development of computer services exports are the growth of external demand, the developed infrastructure, the high level of training in engineering and technical professions, and significant tax benefits under the HTP. The Decree No. 8 "On the development of the digital economy" (commenced on March 28, 2018), which improved and extended the special HTP regime until 2049 and expanded the list of the activities encouraged, became a powerful incentive for the development of the IT sector in Belarus. Hi-Tech Park provides new job opportunities. Over the period of 2017-2020 more than 37 thousand people were employed in the HTP companies.

Presently Park's labor force numbers more than 69 thousand. This is 1,5 % of the economically active population of Belarus. They produce 4% of GDP.

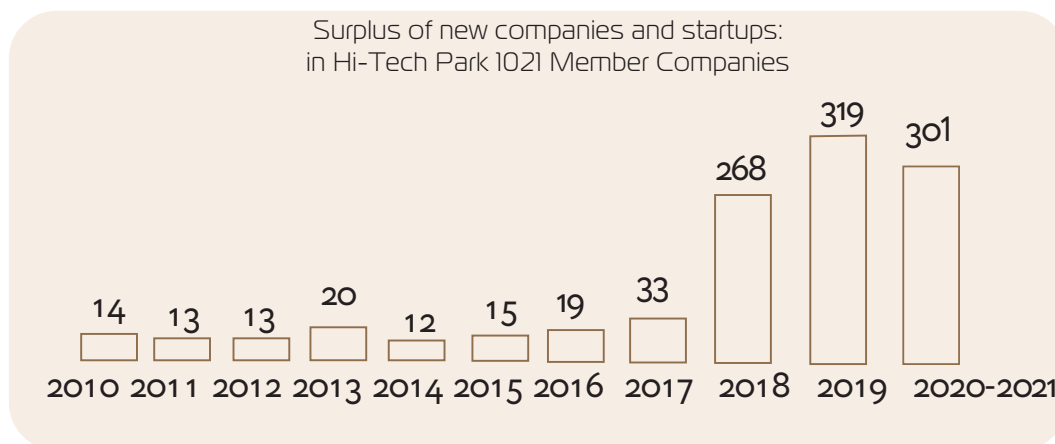
HTP boosts regional development. Due to its legal regime, applicable nationwide, a resident may be registered and operate anywhere in the country.

Presently more than 100 HTP resident companies, i.e. more than 4 thousand people, work outside Minsk.

Over 2020 the HTP residents provided more than 10 thousand new working places. More than 40 % residents are companies with foreign shares. During the years of HTP 2.0 (2017-2020) the Park has cumulatively raised more than 1 billion US dollars of foreign investment.

Foreign direct investments in 2020 amounted to 331,7 million US dollars. Moreover, 107 R&D centers of foreign companies are concentrated in HTP.

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



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

The Republic of Belarus is one of the world's leading exporters of IT services per capita. HTP Belarus is one of the largest clusters in Central and Eastern Europe for companies interested in IT business development. The uniqueness of HTP is in the successful combination of high-quality technical education and high level of professionalism of IT-specialists on the one side and governmental support of the IT-industry on the other.

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

Belarus is introducing one of the most progressive legal systems in the world in the field of digital economy. Currently, legal conditions have been established for ICO, as well as for the use of cryptocurrency and the introduction of smart contracts. Belarus is becoming the first jurisdiction in the world with comprehensive legal regulation of businesses based on blockchain technology. Conditions for the development of IT product companies in the country are provided.

IT education and IT industry

After creation of Hi-Tech Park Belarus has become one of the leading IT centers in the CIS and Eastern Europe. This is mostly due to the high level of IT education.

Various IT experts believe that large investment and flexibility in educational process are required to prepare good IT specialists. Active interaction between universities and HTP resident companies helps to achieve this goal.


Hi-Tech Park residents created and maintain more than 90 joint research and production laboratories based at universities. Moreover, residents developed and conduct targeted educational courses at specialized departments of universities. At the same time, more than 40 units of university departments were opened in the HTP residents' offices and on the territory of Hi-Tech Park.

HTP residents actively invest in the education system. In particular, they supply equipment to universities, schools, lyceums, technical schools; contribute to organization of seminars, republican and international competitions, conferences, Olympiads in physics, mathematics, informatics, trainings for teachers and students, as well as development of innovative entrepreneurship among young people.



3. ONE-STOP SHOP FOR INVESTORS

NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

A photograph of four business professionals in a modern office setting. Three people are seated around a small table, and one person is standing, gesturing towards the seated individuals. The office has large floor-to-ceiling windows that offer a view of a sunset or sunrise, with warm orange and yellow light filling the room. The scene is reflected on the polished floor.

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

3.1 SERVICES



CONSULTING AND INFORMATION SERVICES FOR INVESTORS

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



FAMILIARIZATION VISITS TO BELARUS

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



"INVESTOR'S ROADMAP" INTERACTIVE PORTAL (www.map.investinbelarus.by)

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



SITE SELECTION SUPPORT

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



AFTERCARE

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

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



PROJECT MANAGEMENT

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

3.2 PUBLIC PRIVATE PARTNERSHIP (PPP) IN BELARUS

PPP AS AN ALTERNATIVE INSTRUMENT OF INFRASTRUCTURE DEVELOPMENT



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

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

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

PPP DEVELOPMENT AND IMPLEMENTATION PROCESS IS AIMED AT:

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

PPP PROJECT DEVELOPMENT INCLUDES
THE FOLLOWING STAGES:

STAGE 1 PREPARATION OF THE PPP PROPOSAL

PPP project in Belarus could be initiated by public authorities or by private sector.

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

STAGE 2 ADOPTION OF LEGAL ACT TO AUTHORISE PPP PROJECT IMPLEMENTATION:

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

STAGE 3 TENDER TO CHOOSE A PRIVATE PARTNER:

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

STAGE 4 CONCLUSION AND EXECUTION OF THE PPP AGREEMENT

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

PPP LEGISLATION IN BELARUS

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

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

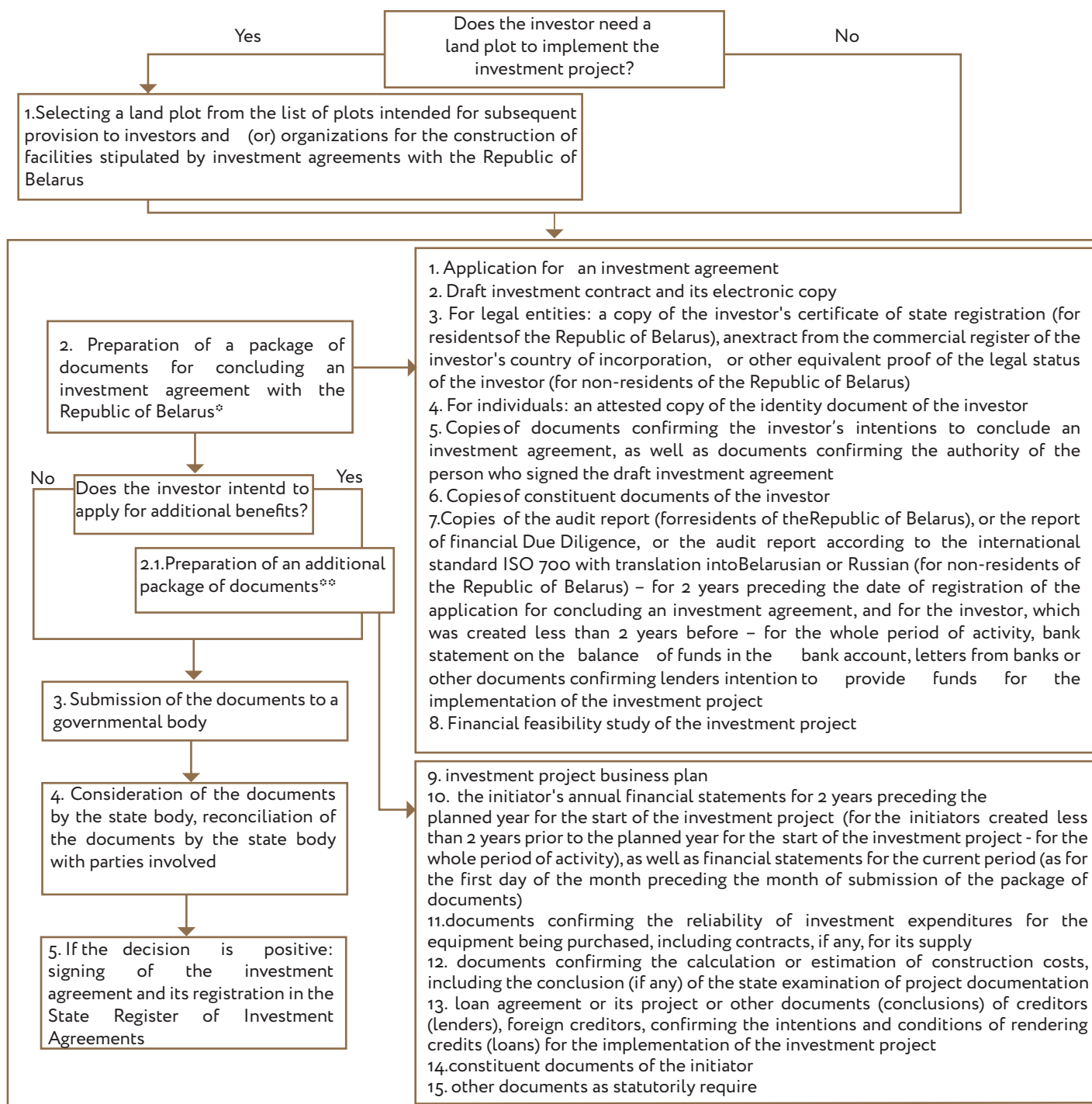
FOR MORE INFORMATION, PLEASE, VISIT OUR DEDICATED WEBPAGE AT THE LINK
investinbelarus.by/public-private-partnerships

OR SEND US YOUR REQUEST VIA EMAIL
ppp@investinbelarus.by

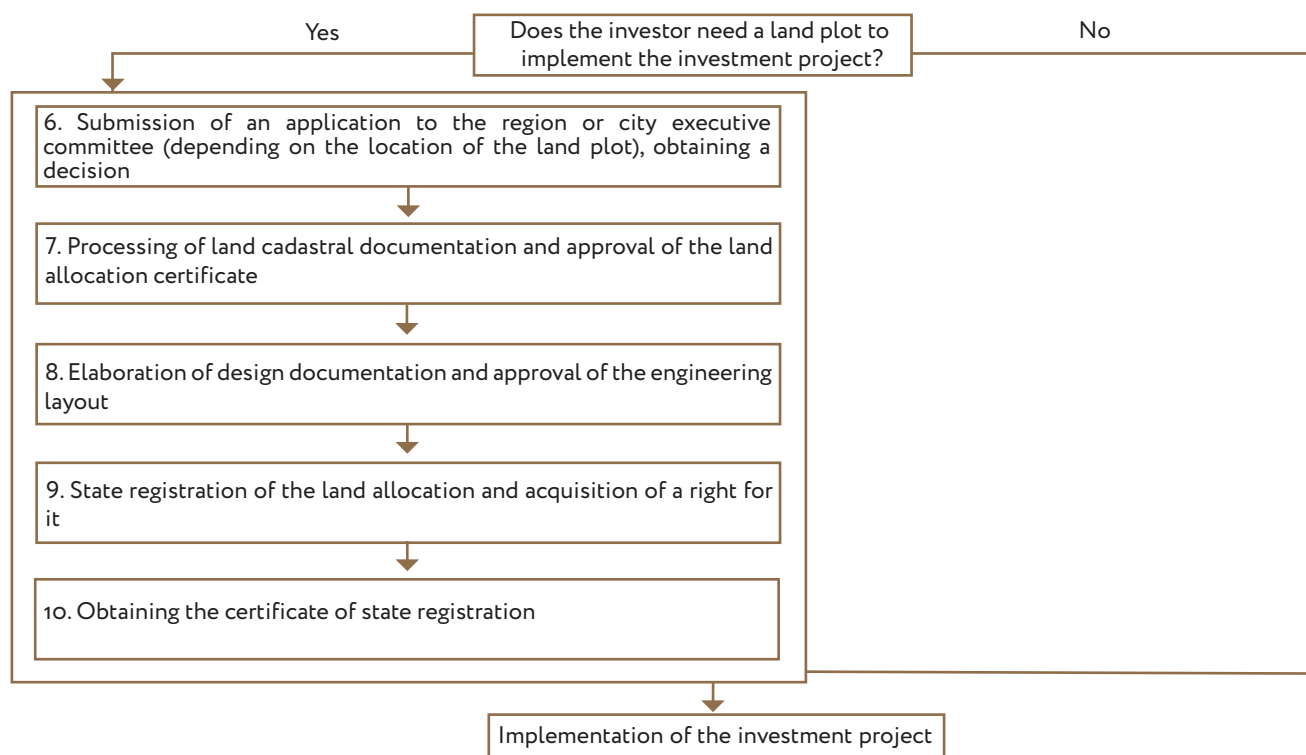


3.3 Step-by-step algorithms for an investor

Concluding of an investment agreement with the Republic of Belarus



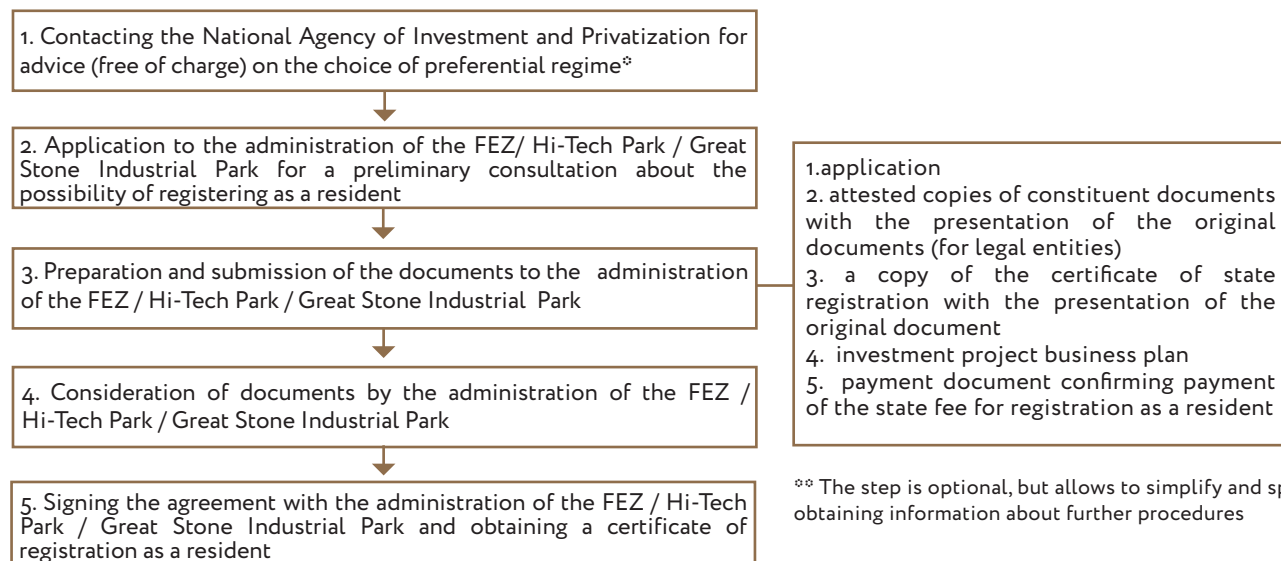
Concluding of an investment agreement with the Republic of Belarus (continued)



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

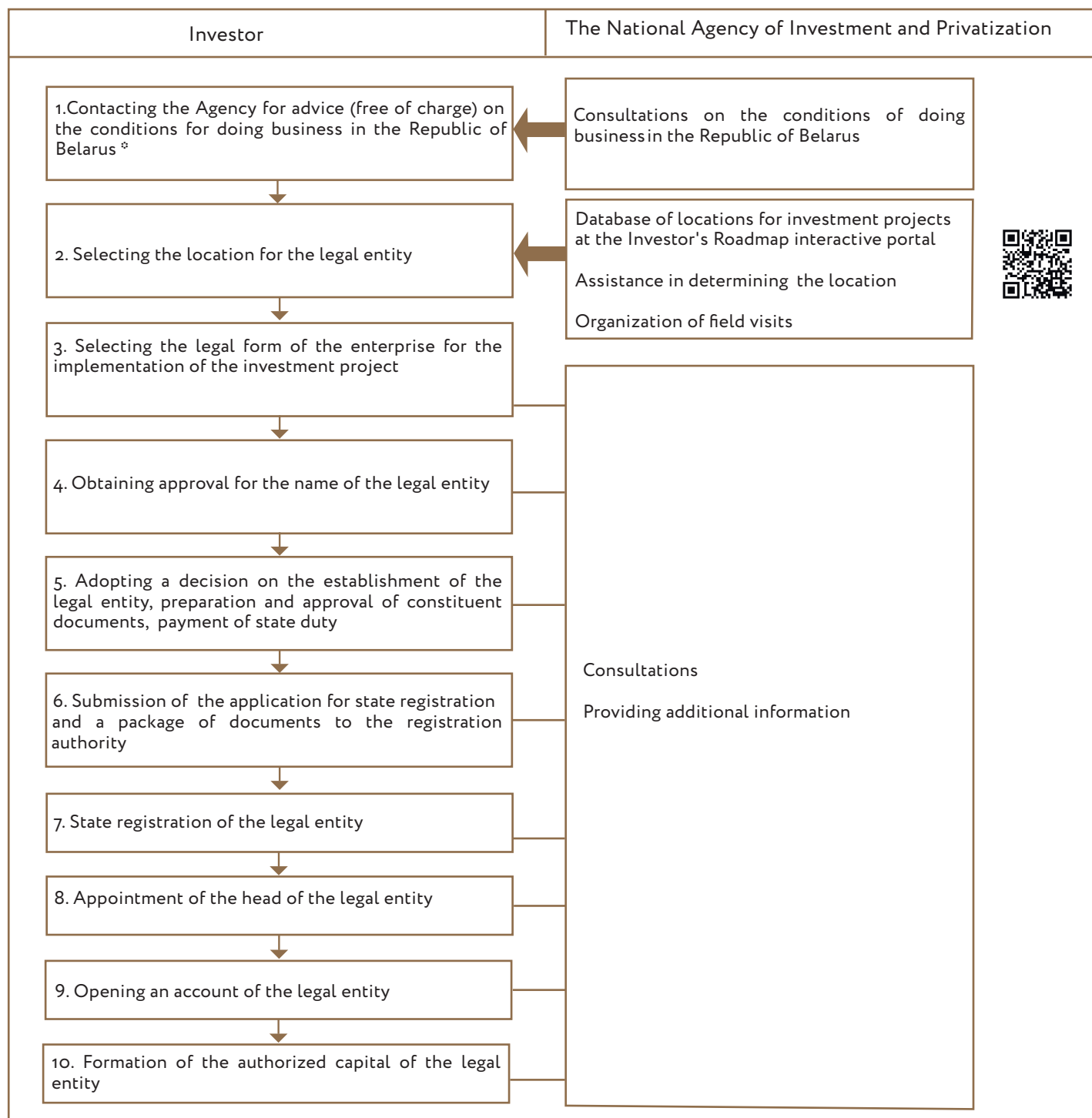
** Chapter 3 of the Regulation on the procedure for concluding, amending and terminating investment agreements between an investor (investors) and the Republic of Belarus, approved by Resolution of the Council of Ministers of the Republic of Belarus dated July 19, 2016 N 563; clause 16 of the Regulation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

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



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

The procedure for creating a legal entity



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

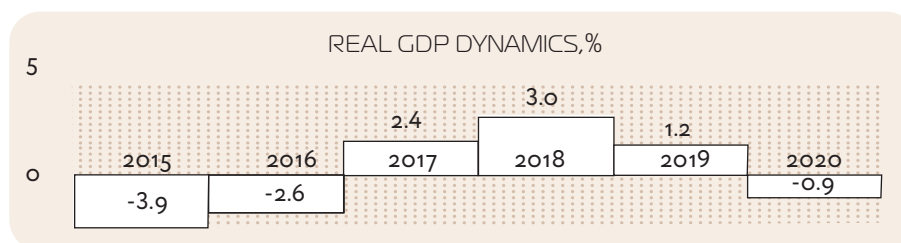
Belarusian Economy

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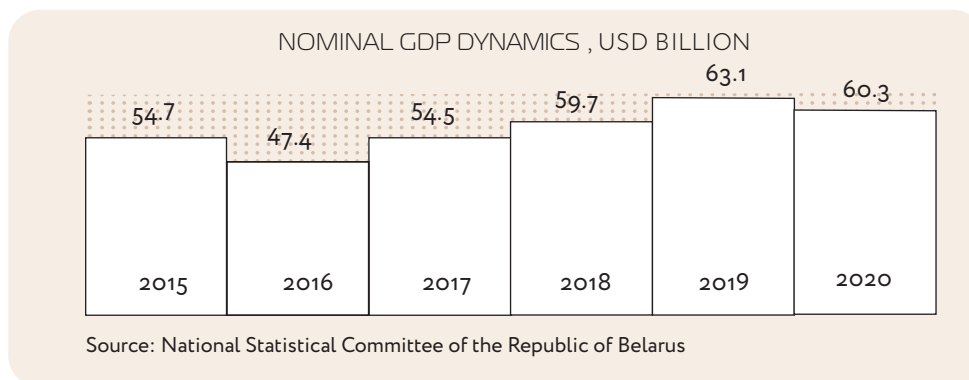
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4. ECONOMY OF BELARUS OVERVIEW

REAL GDP GROWTH



NOMINAL GDP



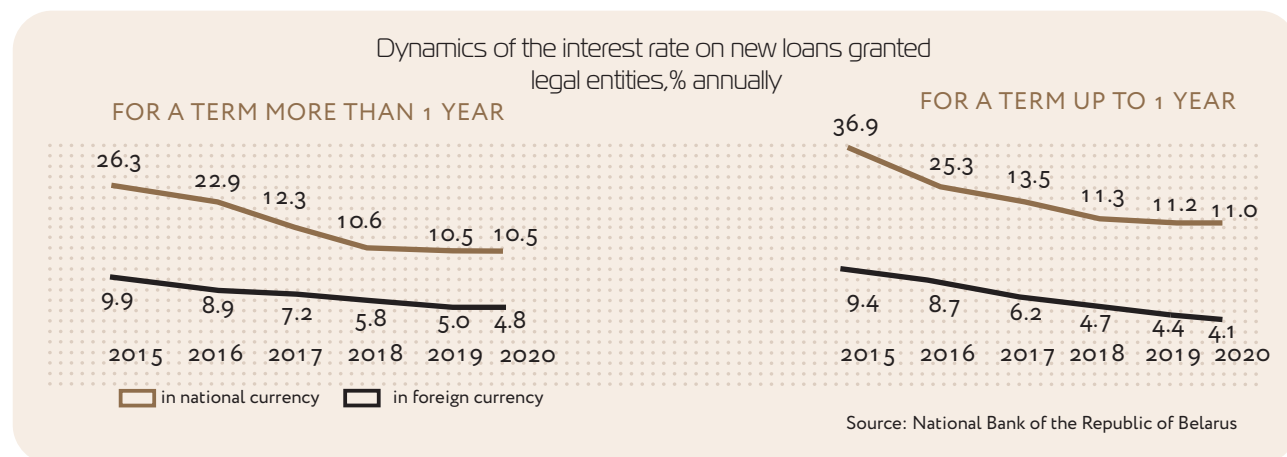
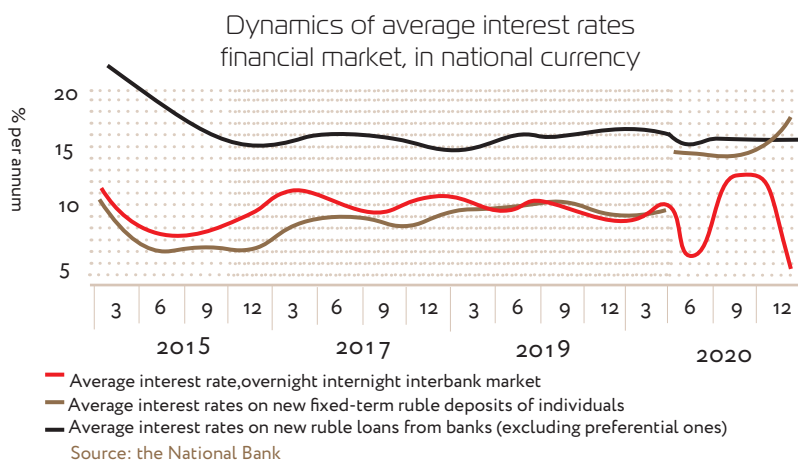
GDP growth in Belarus amounted to 1.2% In 2020, Belarus' GDP shrank by 0.9% over 2019 and amounted to 60.3 billion US dollars. The largest shares in the GDP structure are occupied by manufacturing - 21.5%, trade - 9.4%, information and communication - 7.3%, agriculture, forestry and fishing - 6.8%. The following types of economic activities showed positive dynamics in 2020: information and communication (GVA growth rate was 7.0%), agriculture, forestry and fishing (GVA growth rate - 5.3%) and manufacturing industry (GVA growth rate - 0.1%). Mogilev region showed the highest growth in gross regional product in 2020 (+0.9% compared to 2019).

The situation in the monetary sphere at the end of 2020 continued to develop under the influence of previously formed unfavorable factors. At the same time the demand for foreign currency decreased and the outflow of deposits reduced, relative to Q3 2020, which was associated with an increase in interest rates on households' deposits. The average interest rate on natural persons' new term bank deposits in national currency in December 2020 stood at 17.48 percent per annum (14.61 percent per annum in September 2020). At the same time, the interest rate on credits remained almost the same. Thus, support was provided to organizations in the non-financial sector. The measures taken allowed to slow down the outflow of savings from the banking system.

Foreign Trade:

As of the end of 2020, a positive contribution to the growth of exports was provided by the export of consumer goods (the growth rate amounted to 1.9%), including food (+0.5%) and non-food goods (+3.8%). In the geographical structure of goods exports, the share of the EAEU countries reached 48.2%.

The Republic of Belarus is an export-oriented state with the developed services sector and agriculture. The key sectors of the economy are industry, agriculture, construction, trade, transport, information and communication.



Despite the lack of domestic fuel and energy resources, as well as of the essential raw materials, and regardless of the external economic shocks in recent years, Belarus has retained its industrial potential. The development of industry determines to a significant extent the major economic trends in the country. The industry sector produces about a quarter of the gross domestic product, accumulates about 37% of the total fixed assets of the republic and employs 23.6% of the total number of people employed in the economy. Belarus ranks 47th in the world upon the industrial competitiveness index, leaving the CIS countries far behind, except for the Russian Federation.

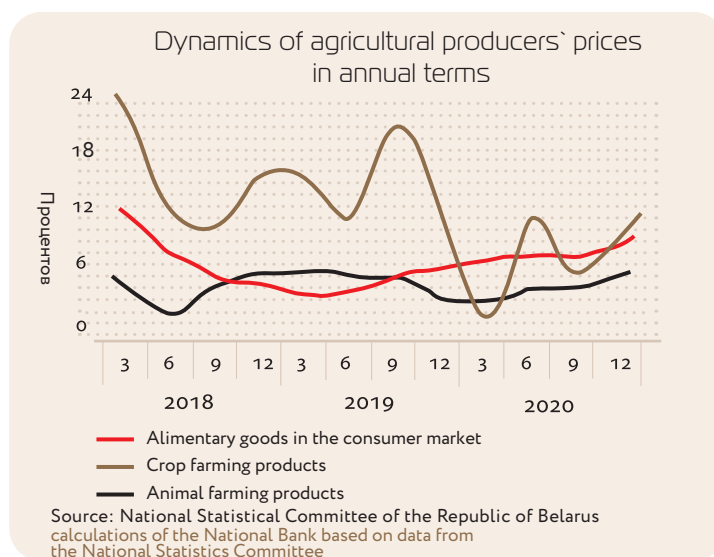
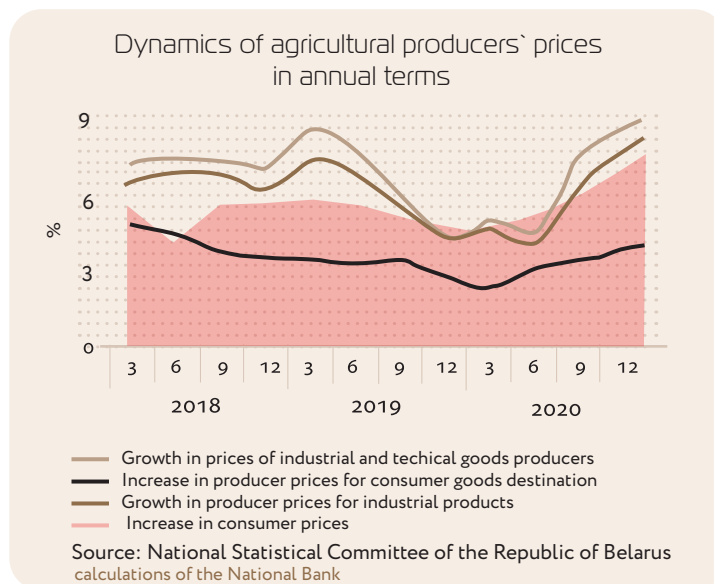
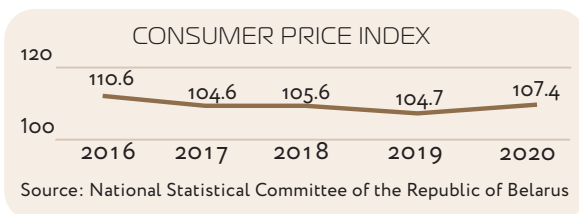
The Republic of Belarus is the regional leader by the tractor production. The country produces about 80% of the total amount of tractors manufactured in the countries of the Eurasian Economic Union. Belarus is also the major producer of agricultural machinery - combines, various types of forage harvesting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

4.1 CONSUMER PRICE INDEX

In 2020 Q4, monetary conditions helped support business activity in the economy. At the same time, control over the money supply restrained the intensity of inflationary processes. The acceleration of inflation was mainly due to the dynamics of free prices. Regulated prices and tariffs increased at a moderate pace. Accelerated growth of prices for fruits and vegetables continued.

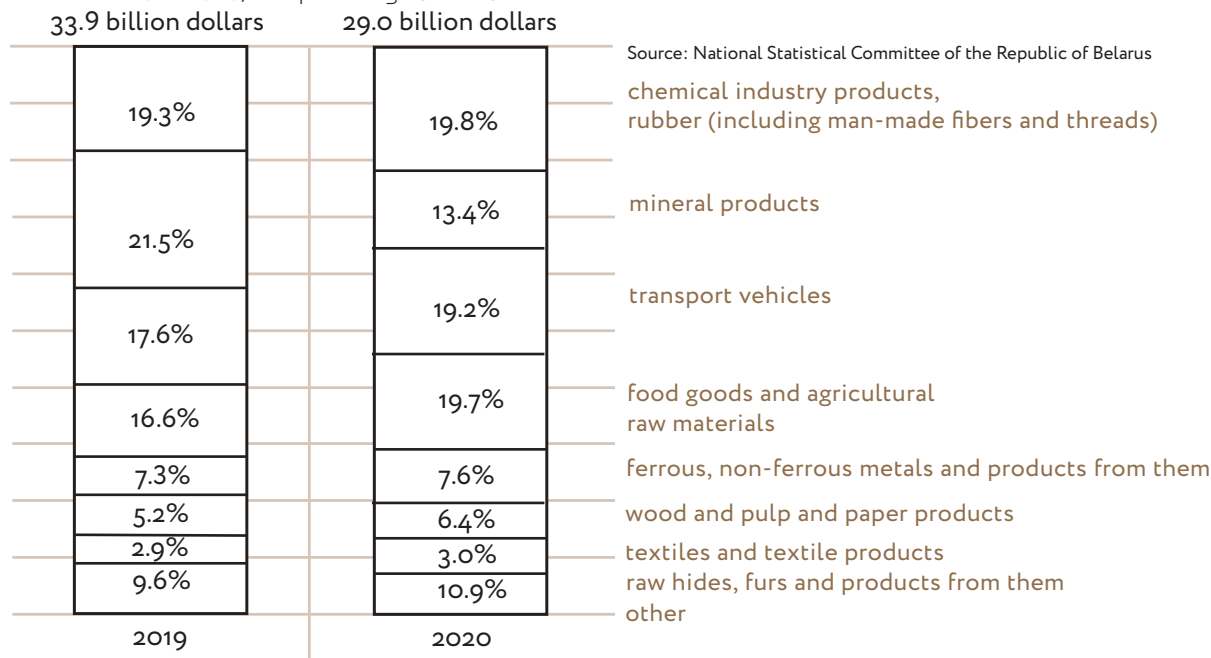
Consumer prices grew in Q4 2020 by 7.4 percent in annual terms, with the target being no more than 5 percent. The main factors accelerating inflation were the further transfer to prices of the occurred weakening of the Belarusian ruble against the background of high inflation-devaluation expectations of economic agents, as well as supply shocks in the markets of certain food products. Low economic activity continued to have a disinflationary impact.

Monetary conditions, reflecting the combined effect of interest rates and the exchange rate on the economy, were generally stimulative. Together, the depreciation of the Belarusian ruble exchange rate, the outflow of deposits, as well as tighter control over changes in the ruble monetary base caused a slowdown in the growth of the broad money supply. In annual terms, the increase in the average broad money supply in December 2020 was 5.4%, which generally had a restraining effect on the intensity of inflationary processes.



4.2 INTERNATIONAL TRADE

Commodity structure of exports of the Republic of Belarus
in 2019-2020, as a percentage of the total



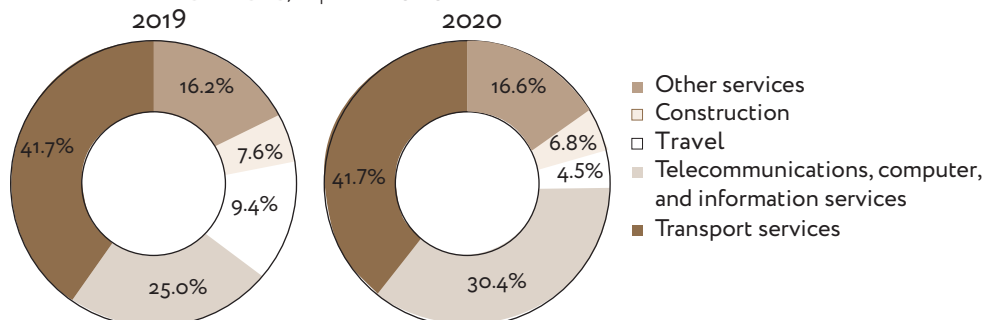
In 2020, the foreign trade balance was positive and amounted to 1.9 billion US dollars or 3.2% of GDP. The exports of goods and services in 2020 amounted to 37.1 billion US dollars (61.6% of GDP) and decreased by 11.7% compared to 2019. The foreign trade turnover of goods and services decreased by 14.4% up to 72.2 billion US dollars.

The trade balance with the European Union countries was negative at 1.0 billion US dollars.

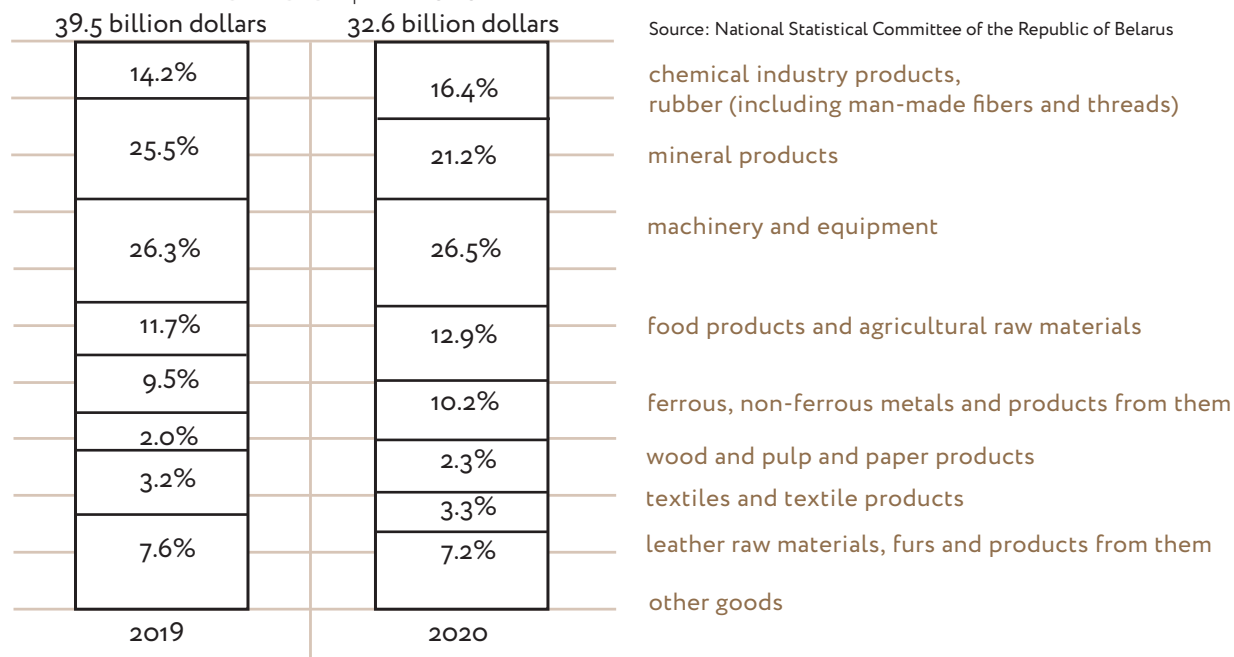
The export of goods amounted to 29.0 billion US dollars (48.1% of GDP), which is 3.8 billion US dollars, or 11.9% less than in 2019. The decrease in the exports value was mainly caused by a reduction in the supply of mineral products (by 45% as compared to 2019).

In 2020, a significant share in the commodity structure of exports was taken by chemical products (19.8% of the total volume of exports of goods), food products and agricultural raw materials (19.7%), vehicles and equipment (19.2%) and mineral products (13.4%).

Structure of services exports of the Republic of Belarus
in 2019-2020, in percent of total



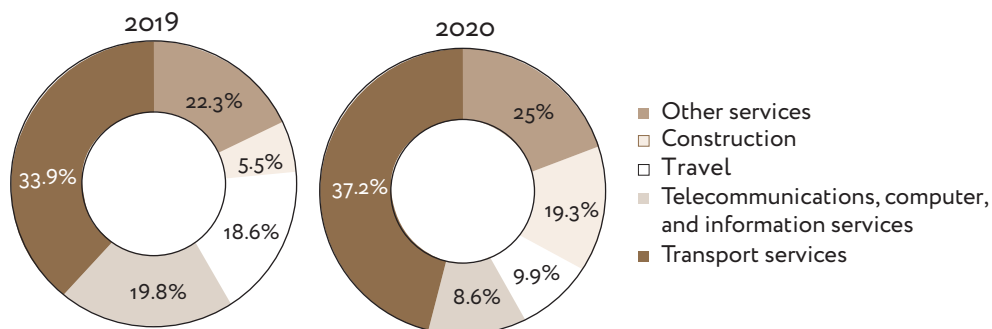
Commodity structure of imports to the Republic of Belarus
in 2019-2020 in percent of total



Exports of services totaled 8.8 billion US dollars (14.6% of GDP) and decreased by 8.5 % in 2020 as compared with the previous year. Transport services (41.7%), telecommunication, computer and information services (30.4%) accounted for the largest share in the total value of services exports.

Residents of the EU countries were the major consumers of Belarusian services (42.3% of all services rendered). The EAEU member states accounted for 19.0% of Belarusian services exports (the Russian Federation accounted for 17.5 %).

Structure of services imports to the Republic of Belarus
in 2019-2020, in percent of total



5. INTERNATIONAL COOPERATION AND FOREIGN CAPITAL IN BELARUS



The Republic of Belarus implements a multi-vector foreign economic policy and actively participates in international integration processes. Belarus is an export-oriented country with well-developed manufacturing sector and agriculture 61 percent of products is exported.

Belarus maintains good trade relations with more than 200 countries of the world. Russia is the main trade partner of Belarus, its share in the year 2020 accounted for 45 percent of Belarusian exports and 50 percent of imports. The European Union is the second largest trade partner, accounting for fifth part of foreign trade turnover. Key countries-importers of Belarusian products to the EU: Poland, Lithuania, Germany, Great Britain, the Netherlands, Latvia, Denmark, Belgium, Norway.

The presence of Belarusian manufacturers in the regions of Asia, Africa, America and Oceania is gradually expanding. The work to expand access to the markets of "far arc" countries is carried out together with EAEU partners by concluding free trade agreements. In 2020, Belarusian export of goods is carried out to the 9 new countries including the Bahamas, Burundi, Equatorial Guinea, Saint Lucia, Swaziland.

The main trade partners of Belarus in service sector are: Russia (35% of foreign trade turnover), EU countries (31%) and U.S. (9%).

Transport services make up 42% of the total Belarusian export of services, reflecting favorable geographical position of the country. IT- and construction services are also among the major export positions. Belarus is constantly developing cooperation with partner countries within the boundaries of integration associations and organizations of the post-Soviet countries: the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EAEU) and Collective Security Treaty Organization (CSTO).

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



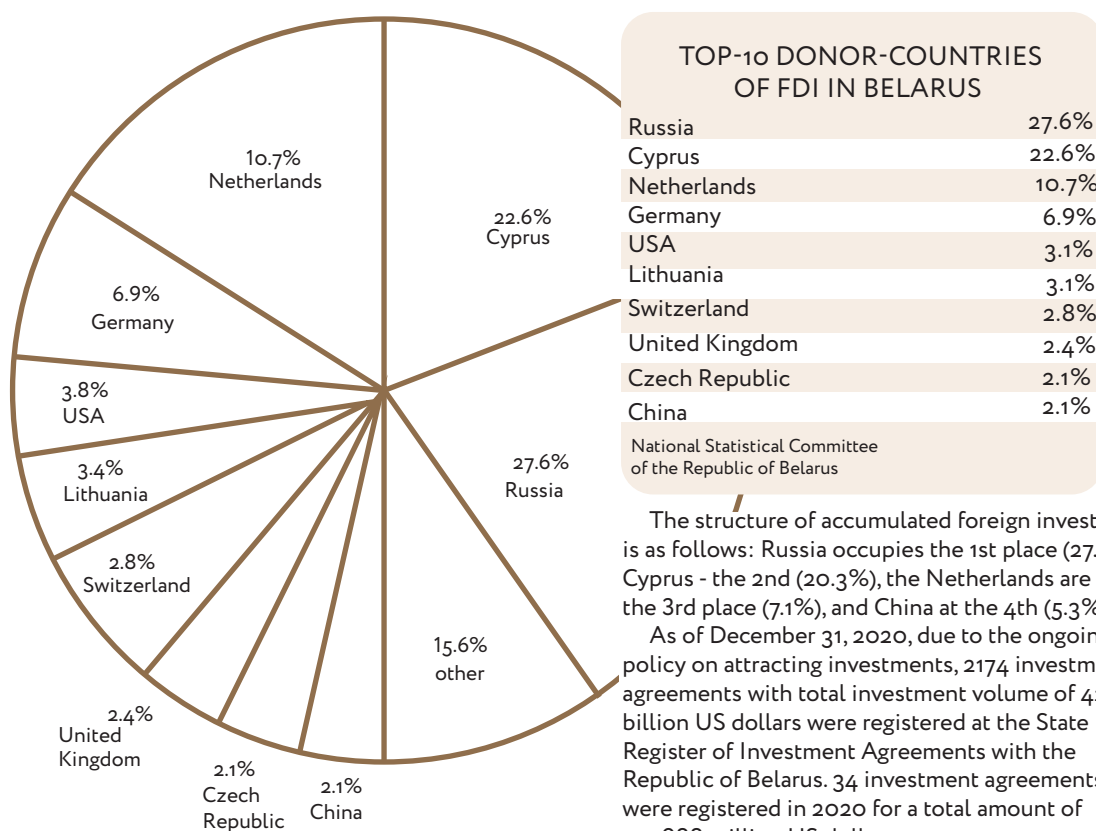
5.1 FDI ON NET BASIS

In 2020, foreign investors invested 8.68 billion US dollars in the real sector of the economy of Belarus, including 6.01 billion US dollars of foreign direct investment (FDI).

In 2020, FDI admission on a net basis (excluding debt to direct investors for goods, works and services) to the economy of the Republic of Belarus amounted to 1.4 billion US dollars.

As of January 1, 2020 there are 6 623 registered companies with foreign capital in the Republic of Belarus.

In 2020, a significant amount of foreign direct investment came from the Russian Federation (2.8 billion US dollars) Significant amounts of direct investment in the Belarusian economy, except for the residents of the Russian Federation, were made by residents of Cyprus, Ukraine, the United Kingdom of Great Britain and Northern Ireland, Lithuania, and the Netherlands. The largest amounts of foreign direct investment were directed to manufacturing industry, information and communication sector, transport activities.



5.2 EURASIAN INTEGRATION



The Eurasian Economic Union (EAEU) is an international organization of regional economic integration with international legal personality. Freedom of movement of goods, services, capital and labor, as well as coordinated, coherent and common policy in the key sectors of economy are provided within the Union.

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

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

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

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

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

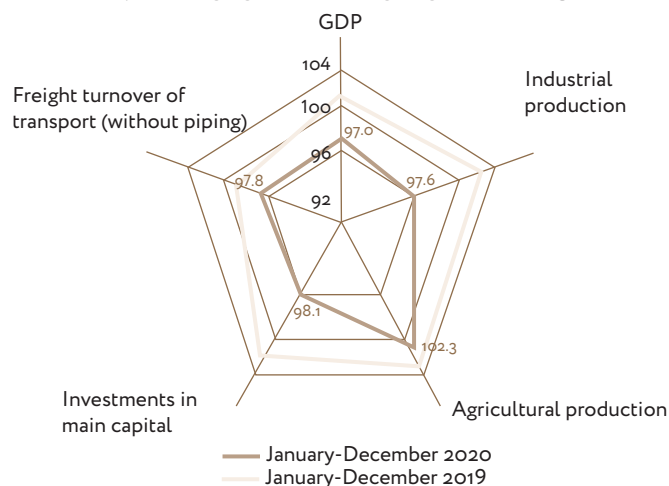
The Union is empowered to perform within its competence international activities, aimed to solve the problems which the Union faces.

The Free Trade Agreement between the member states of the EAEU and the Socialist Republic of Vietnam is in effect since 2016. An Agreement on Trade and Economic Cooperation between the EAEU member states, on the one hand, and the People's Republic of China, on the other, as well as the Interim Agreement to establish a free trade zone between the EAEU member states, on the one hand, and the Islamic Republic of Iran, on the other, were signed in 2018.

The possibilities of launching free trade agreements with Singapore, Israel, India, Egypt, and of unifying the trade regime with Serbia are being negotiated. In general, more than 50 countries demonstrate interest in cooperation with the EAEU in different formats.

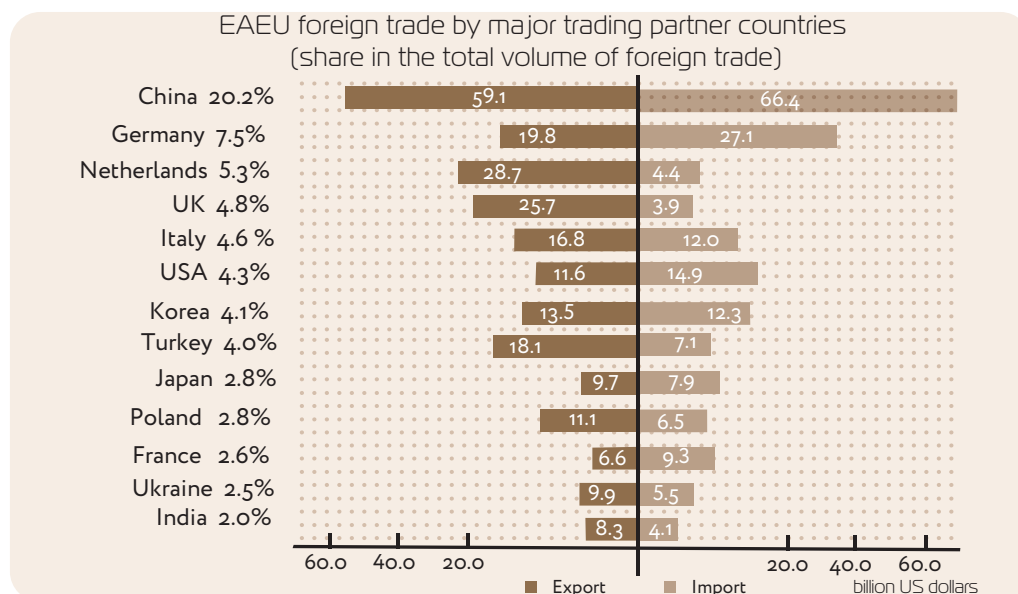
The EAEU member states have a great potential in the leading sectors of the economy. The EAEU ranks first in the world in oil and natural gas production, second in the production of mineral fertilizers, third in the production of wheat and potatoes and the length of railways, fourth in the production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

Main economic indicators of the EAEU

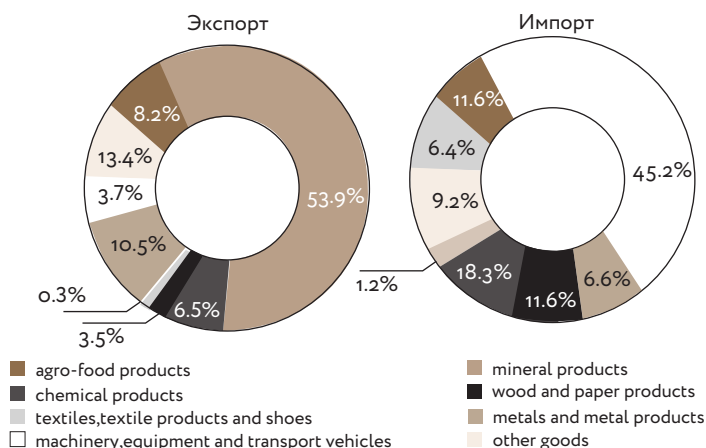


Foreign trade in goods of the Eurasian Economic Union:

In 2020, the total volume of foreign trade in goods of the EAEU member states with third countries amounted to 622.8 billion US dollars, including exports of goods – 364.4 billion US dollars and imports – 258.4 billion US dollars.



Commodity structure of exports and imports in foreign trade in 2020 (in % of the total for the EAEU)



In 2020, trade turnover of the Republic of Belarus with the EAEU member states amounted to 30.5 billion US dollars, including exports of goods – 14.0 billion US dollars and imports of goods – 16.5 billion US dollars.

The share of the EAEU countries accounted for 49.5% of the total export volume of the Republic of Belarus in 2020 (in 2019 – 44.2%), of which the Russian Federation accounted for 47.9% (41.2% in 2019).

Foreign trade in services of the Republic of Belarus with the EAEU member states amounted to 3.1 billion US dollars in 2020 (exports of services – 1.7 billion US dollars, imports of services – 1.4 billion US dollars). The share of the EAEU countries accounted for 22.7% of the total export of services of the Republic of Belarus in 2020, of which the Russian Federation accounted for 21.3%. The creation of the Union allows member states to coordinate their industrial policies so as not to duplicate production, as well as to organize production chains and supply components for joint production. Opportunities for industrial cooperation and joint investment and innovation projects have expanded significantly. One of the activities of the EAEU is the development of a unified trade, monetary and tax policy, namely, the maximum possible economic integration.


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

The Heads of States have approved the Priority Directions for implementation of the Digital Agenda of the Eurasian Economic Union for the period till 2025.

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

- ① free movement of both domestic goods and goods from third countries within the common market of the Union;
- ② common customs tariff and non-tariff regulation in trade with third countries to protect the interests of domestic producers, including foreign investment enterprises;
- ③ relief from customs duty on the importation of manufacturing equipment, raw materials to implement investment projects (in case such raw materials are not produced in the member states);
- ④ tariff preferences for the goods imported from third countries as a contribution to the statutory fund of a company;
- ⑤ free access to the large common market of goods and services of the EAEU for foreign investors who invest in Belarus;
- ⑥ effective logistics projects with access to the EAEU and the EU markets due to the favorable geographical location of Belarus;
- ⑦ legal guarantees for investors, including the right to reparation and use of investment income, as well as guarantee of the rights in expropriation, procedures for resolving investment disputes through arbitration and national court or the International Centre for Settlement of Investment Disputes;
- ⑧ joint measures to promote exports of goods of the member states to third countries contain a number of mechanisms to support exporters, such as insurance and export crediting, international leasing, brand promotion of "the EAEU product" and a unified marking of the EAEU products, exhibition and trade fair activities, advertising and image promotion activities abroad;
- ⑨ implementation of the single-window system within the framework of the Union will simplify and speed up procedures of foreign trade due to effective communication between the state bodies and participants of foreign economic activity.

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



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



Following the recognition of Belarus as an independent state in December 1991 by the European Community, EC/EU-Belarus relations initially experienced steady progress.

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

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

In 2016, Belarus – EU relations made a big stride ahead. WTO accession talks resumed between Belarus and the EU. A joint Coordination Group was launched as a new framework for a structured comprehensive dialogue on the entire Belarus – EU political and sectoral agenda. The Coordination Group meets twice a year (the first session took place in April 2016). It is attended by Belarus' line ministries, the European Commission and the European External Action Service.

In September 2016, the EU supported a new 2016–2019 EBRD country strategy for Belarus empowering the Bank to fully extend its activities to the public sector (before they had been restricted to private projects). The EU authorized the start of the European Investment Bank's work in Belarus. On August 9, 2017 a Belarus – EIB Framework Agreement came into effect. A number of large-scale EIB and EBRD-funded infrastructural projects are currently being implemented.

As of 2016, annual country allocations for Belarus under the European Neighbourhood Instrument doubled to reach 28 – 30 million euros. The funds are used to modernize border and customs infrastructure, exchange experience and implement pilot projects in energy, transport, agricultural, environmental, educational, cultural and other areas.

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

On January 8, 2020 Belarus and the EU signed the Visa Facilitation and Readmission agreements. Bilateral sectoral dialogues are ongoing between Belarus' line ministries and the European Commission in areas such as economy and finance, environment, trade and customs. A human rights dialogue is under way.

The implementation of a 2016 – 2019 Action plan in the framework of the Belarus – EU customs dialogue was concluded. A new similar plan for 2020 – 2023 is being negotiated. In 2020, Belarus and the EU also launched talks on a draft Agreement on cooperation and mutual administrative assistance in customs matters. Belarus is an active stakeholder in the EU Eastern Partnership multilateral cooperation framework. Belarusian representatives contribute to the activities of all four multilateral EaP platforms ("Strengthening Institutions and Good Governance", "Economic Development and Market Opportunities", "Connectivity, Energy Efficiency, Environment and Climate Change", "Mobility and People-to-People Contacts"), its panels and flagship initiatives.

In cooperation with other countries Belarus promotes development of concrete projects that would improve energy and transport interconnections, strengthen regional energy security, counter environmental risks, reinforce border security, and raise the efficiency of customs measures to facilitate trade between the EU and its Partner States.

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

Belarus participates in EU-funded Poland – Belarus – Ukraine and Latvia – Lithuania – Belarus Cross-Border Cooperation (CBC) Programmes. In 2007 – 2013 several dozens of projects worth 50 million euro were implemented in Belarus under these two instruments. The aggregate budget of the Programmes for 2014 – 2020 is 280 million euro which are available to Belarus through calls of proposals.

Belarus also actively participates in the EU thematic programmes TEMPUS, Erasmus+, HORIZON 2020, TAIEX, TWINNING, Mayors for Economic Growth, Mayors for Climate and Energy, Eastern European Energy Efficiency and Environment Partnership, etc.

BELARUS-EU ECONOMIC COOPERATION

Mutual interests of Belarus and the European Union (EU) member states are based first of all on economic cooperation. The EU remains one of the major trade partners, as well as an important source of credit resources and investment.

Belarus is geographically and mentally close to investors from Western Europe. Conducting business is relatively easy for European companies because the cultural environment, business practices, and customer expectations are similar. Belarus and the EU have a high potential for developing economic cooperation by means of an increase in mutual trade volume, capital, transfers and investments outflow.

Stronger compliance of Belarusian products with European quality standards is central to the national export promotion policy. A more harmonized national system of standards with the EU norms and regulations is key to better access of Belarusian goods to the European market.

In 2020, the trade turnover between Belarus and the EU reached 11.9 billion US dollars. Exports amounted to 5.5 billion US dollars, imports - 6.5 billion US dollars. The EU countries accounted for 18.8% of the Republic's total exports in 2020. In 2019, the main trading partners of the Republic of Belarus were as follows: Germany - 4.2%, Poland and the United Kingdom of Great Britain and Northern Ireland - 3.6% each, Lithuania - 2%, the Netherlands - 1.7%.

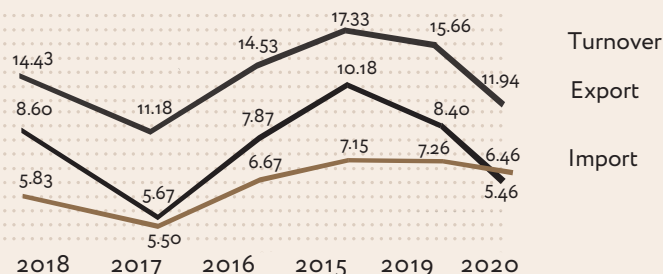
Foreign trade in services with the EU countries in 2020 amounted to 5.7 billion US dollars. Exports of services reached 3.7 billion US dollars, imports of services - 2.0 billion US dollars. In 2020, the EU countries accounted for 41.4% of total Belarusian exports of services.

A priority seen by Belarus in the cooperation with the EU countries is raising European investments to the research-intensive and high-tech sectors, agriculture, energy efficiency, alternative energy and transit areas. About half of all foreign investment brought into the economy of the Republic of Belarus comes from the European countries. In 2020, the investments from the EU countries amounted to 2.89 billion US dollars, of which direct investments - 1.78 billion US dollars, net direct investments - 0.58 billion US dollars (+ 19.6% compared to 2019). Leading investors to the Belarusian economy are the Cyprus, the Netherlands, the United Kingdom, Germany, Lithuania, Poland, Czech Republic, Estonia.

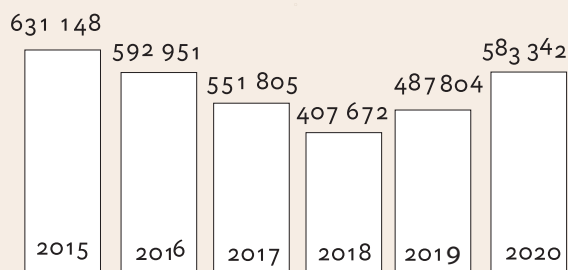
Regular investment forums organized by the Belarusian Government in the recent years are an important way of advertising business opportunities of the Republic to the international community and attracting foreign investments to the country.

As of December 31, 2020, in the result of the investment attraction policy conducted, there are 2,174 investment agreements with an investment volume of 42.8 billion US dollars registered in the State Register of Investment Agreements with the Republic of Belarus. In 2020, 34 investment agreements were registered for a total amount of 314.0 million US dollars.

EU TRADE IN GOODS, USD, BILLION

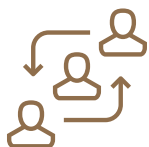


FDI NET INFLOWS FROM EUROPEAN UNION COUNTRIES, USD THSD





5.4 BELARUS-CHINA: TOWARDS THE NEW LEVEL OF COOPERATION



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

China is one of the most important trade and economic partners of Belarus. As of the end of 2020, China was ranked first among the trade partners of Belarus in terms of imports, fifth — in terms of export value to Belarus. In 2020, the trade turnover between Belarus and China amounted to 4.5 billion US dollars (+0.4% as compared to 2019), the volume of Belarusian export was 749.3 million US dollars (+11.3% to 2019).

The structure of exports to China is poorly diversified. In the near term, goods such as high-performance intelligent equipment, vehicles, food and medical equipment will be the most sought-after in terms of China's national interests. Food products made primarily from local raw materials have significant export potential, based on demand trends and existing limitations.

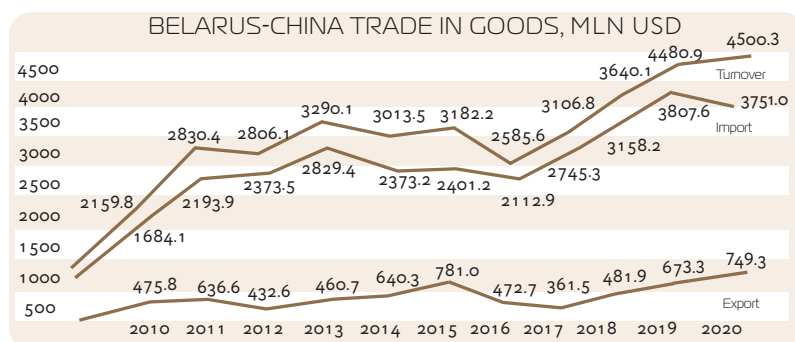
Bilateral investment cooperation is the core of the Belarusian-Chinese economic relations.

As of the beginning of 2020, 151 companies with Chinese investments were registered in Belarus: 45 joint ventures and 106 with Chinese capital. For comparison, by the beginning of 2019, 126 companies with Chinese investments were registered in Belarus: 37 joint ventures and 89 with Chinese capital.

A developed contractual legal framework for cooperation has been established between the Republic of Belarus and the People's Republic of China. More than 80 contracts have been signed. The most important are the joint declaration of Belarus and China on the establishment of trustworthy all-round strategic partnership and mutually beneficial cooperation, as well as agreements on trade and economic cooperation, on avoiding double taxation, on encouraging and mutual protection of investments.

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

The Industrial Park is located in the Smolevichi district of the Minsk region, 25 km from the capital of the Republic of Belarus, Minsk, and covers an area of 112.5 square km. The Park's favorable geographical location arises from its close proximity to the Minsk International Airport, to the railway and to the Berlin-Moscow transnational highway, as well as from an access to the Klaipeda port on the Baltic sea coast at a distance of 500 km. The Industrial Park unlocks the potential of Belarus as a connecting link among the countries of Europe, Russia and Asia, and also provides free access to the market of the Eurasian Economic Union (Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan) with a total capacity of 184 million people. In the territory of the Park it is planned to build industrial and residential zones, office, shopping and entertainment complexes, financial and research centers.



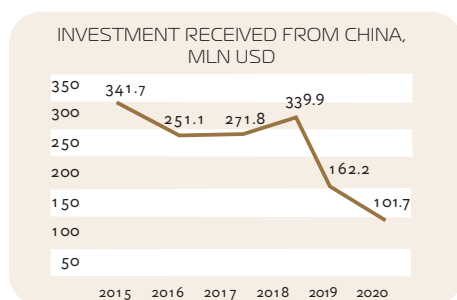
According to the National Statistical Committee of the Republic of Belarus, in January-December 2020, Belarus received 101.7 million US dollars of investment from the People's Republic of China, including 53.7 million US dollars direct investment, of which 23.7 million US dollars were investments on a net basis (excluding debt to direct investor for goods, work, services).

In 2020, the share of China (including Hong Kong and Taiwan) in total FDI on a net basis in Belarus was 2.1%.

As of the beginning of 2021, 68 residents with an average staff number of 1115 people were registered in the Chinese-Belarusian industrial Park "Great Stone" (including Industrial Park Development Company, CJSC). By the beginning of 2021, the volume of direct investments received from foreign investors amounted to 44.3 million US dollars.

Priority areas of investment cooperation are:

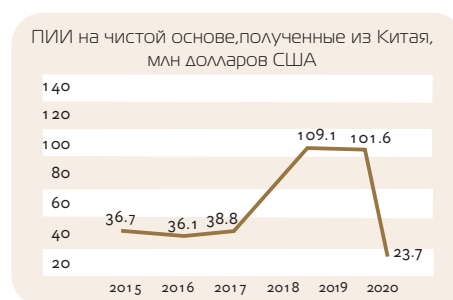
- mechanical engineering
- electronics and telecommunications
- fine chemistry
- biotechnologies
- new material
- logistics
- pharmaceuticals, etc.



The Park has three-level management structure:

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

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



The purpose of the Industrial Park is to provide the most comfortable conditions for the development of modern production facilities. The major part of the Park's territory is engaged in the development of its industrial and logistics potential. The rest of the territory is intended for commercial and social industries. Another goal of the "Great stone" is to bring the cooperation between the state and private business to a qualitatively new level. For this purpose, the Park is developing a social infrastructure that will use the mechanism of public-private partnership.

5.5 INTERNATIONAL ECONOMIC ORGANIZATIONS

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

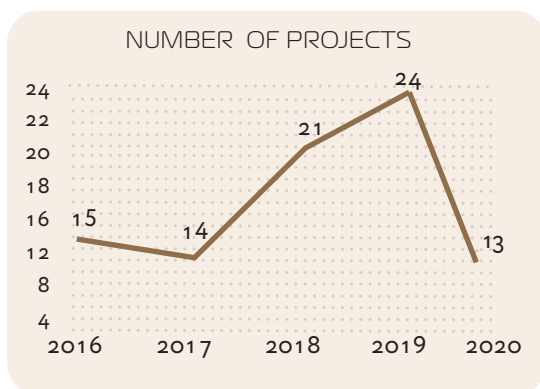
The Republic of Belarus is actively developing cooperation with different international institutions and bilateral development funds.

THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

The Republic of Belarus has been a member of the European Bank for reconstruction and development since 1992. During the period of its activity in Belarus, the EBRD participated in 142 projects. The cumulative EBRD investments to Belarus are estimated at 3,012 million euros. 63 % of all the investments are granted to the private sector.

In 2020, the Republic of Belarus entered into 13 project agreements with the EBRD amounting to 212 million euros.

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

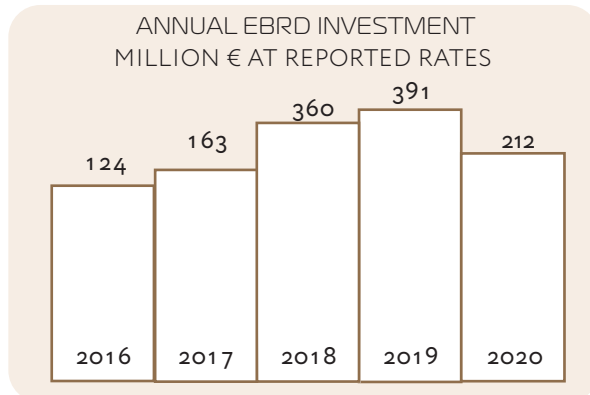


THE WORLD BANK

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

About 40 projects have been implemented within the framework of investment cooperation since 1992. The World Bank has invested about 2 billion US dollars in the economy of the Republic of Belarus. Currently, the investment portfolio of the World Bank in the Republic of Belarus includes 11 projects for a total amount of about 1 billion US dollars.

The Republic of Belarus has been a member of the International Finance Corporation since 1992. In the Republic of Belarus, IFC provides both financial support to private sector organizations and advice to the Government of the Republic of Belarus on private sector development, improving the business environment, and supporting small and medium-sized enterprises.



Since 1992, the IFC has financed 60 investment projects in the Republic of Belarus with a total cost of about 800 million US dollars.

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

On June 5, 2019, the Ministry of Economy of the Republic of Belarus and the IFC signed a Cooperation Agreement defining priority areas of cooperation: promotion of small and medium-sized businesses; improvement of business regulation; organization of conferences, seminars and other events in the field of economic and business development. The ability of the IFC to promote private sector growth in its member countries depends primarily on the country's macroeconomic situation and the profitability and reliability of its investments. In addition to investment activities, the IFC provides consulting services, including structuring various types of transactions (privatization, public-private partnership).

THE EUROPEAN INVESTMENT BANK (EIB)

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

Since 2017, which was the starting point of cooperation between the EIB and Belarus, the Bank's investment portfolio in the country has been expanding rapidly, as evidenced by the increase in the total amount of financing.

For example, the Bank has earmarked €550 million for four infrastructure projects and provided financial assistance to Belarusian banks to support small and medium-sized businesses. The EIB can also attract grant resources from the European Union, for example, to implement infrastructure projects. At this stage of partnership, the EIB offers its financial assistance and best practices for implementation of big investment projects in areas such as housing and utility services, energy efficiency and transport sector.

INVESTMENTS FROM IFC			
Financial Year	Project	IFC financing (\$)	Description
2015	Alutech	15 € million	To help strengthen and diversify its business and boost Belarus' sector growth
2015	A-100 Development Group	20 € million	For the development of four real estate properties with a total built area of 80000 m ² in Minsk and Minsk region
2015	Strominvest	17 € million	For the construction of an affordable housing complex
2012	Alutech	45 € million	To support the company's growth and expansion of exports
2011	MTBank	10 \$ million	To finance SME energy efficiency projects

LEGAL ENVIRONMENT FOR INVESTMENTS

Currently, the Republic of Belarus provides the investors with an established system of legal regulation of the investment activities and with several special preferential legal regimes.

In this section, we discuss the following legal mechanisms available to foreign and Belarusian companies:

- Investment legislation (section 6.1);
- Legislation on public and private partnership (section 6.2);
- Other preferential regimes (section 6.3).



6.1 INVESTMENT LEGISLATION



6.1.1. History, general principles, types of investment activities, and guarantees for investors

Attraction of investments from foreign and national investors is one of the important directions of the state policy in the Republic of Belarus.

The legislation of the Republic of Belarus on investments has a long history and has developed from the Laws of the Republic of Belarus dated 29 May 1991 "On Investment Activities in the Republic of Belarus" and dated 14 November 1991 "On Foreign Investments in the Territory of the Republic of Belarus", as well as the Investment Code dated 22 June 2001 to the current Law of the Republic of Belarus dated 17 July 2017 "On Investments" (hereinafter – the Investment Law). The Investment Law is a key legal act that regulates implementation of the investment projects, it enshrines the basic principles of investment activities in the Republic of Belarus.

Investment activities in the Republic of Belarus are based on the following principles:

- the rule of law;
- equality of investors (investors are equal under the law and enjoy rights without any discrimination);
- good faith and reasonableness (investors shall act reasonably and in good faith without causing harm to others and without abuse of rights);
- inadmissibility of interference in private matters (interference in business matters is not allowed, except for cases when such interference is carried out in the interests of national security, public order, protection of morals, public health, rights and freedoms of others);
- ensuring the restoration of violated rights and legitimate interests, their judicial protection (the protection of rights and legitimate interests of the investors in court and in other ways envisaged by the legislation of the Republic of Belarus, including international treaties of the Republic of Belarus, is guaranteed to the investors).

The Investment Law contains a non-exclusive list of types of investment activities. It includes:

- establishment of a company;
- acquisition, establishment, including construction, of real estate objects;
- acquisition of rights to objects of intellectual property;
- acquisition of shares, shares in the authorized capital, shares in the property of a company, including cases of increase in the authorized capital of companies;
- investment on a basis of the concession agreement;
- and other methods.

The Investment Law also sets the following guarantees for foreign investors:

- to transfer compensation and other funds of foreign investors abroad;
- protection of property from nationalization and requisition (allowed only in exceptional cases, subject to the conditions established by the law);
- the possibility to resolve the disputes in the international arbitration courts (for disputes which do not fall under the exclusive jurisdiction of the courts of the Republic of Belarus).

The investors are granted the following rights:

- the right to establish a company;
- the right to benefits and preferences (if making investments in the priority sectors of the economy);
- the right to conclude an investment agreement;
- the right to hire foreign employees under labor contracts.

There is the Interactive Portal "Investor's Road Map" in the Republic of Belarus. It offers, inter alia, the basic investment ideas in different sectors. For example, the construction of a closed agricultural production complex, the construction of a garbage recycling plant, the organization of the production of cereals, the construction of a complex for the production of rabbit meat, the construction of a business center, the creation of a secure corporate messenger and telecommunications platform GConnect are among such investment ideas. We recommend using this database for the foreign investors to develop and plan individual investment projects.



6.1.2. Investment agreement

An investment agreement with the Republic of Belarus is an effective tool that can be used by investors to receive additional favorable conditions for their investments. An investment agreement can be concluded for the implementation of projects in the priority areas for investment activity. The list of such activities is quite wide.

These include, but are not limited to, agriculture, food production, textiles, chemical products, pharmaceuticals, machinery and electrical equipment, electricity supply, construction, transportation, a range of services, and scientific activities.

Depending on the benefits provided to the investor, investment agreements are divided into two types:

- an investment agreement of the first level (envisages benefits established by the law);
- an investment agreement of the second level (provides additional benefits, except for those provided by the law).

An investment agreement of the first level is concluded on the basis of a decision of a state body of the republican level, a state organization subordinate to the Government, or a regional (Minsk city) executive committee.

An investment agreement of the second level requires the decision of the Government and the consent of the President of the Republic of Belarus. The investor shall provide a business plan of the investment project for its further state examination.

In accordance with the law, the investment agreements of the first level may provide a number of significant benefits:

- providing the investor with a land plot without holding an auction for the right to conclude a lease agreement;
- construction of facilities under the investment agreement with the right to remove flora objects without compensation of the value of the removed flora objects;
- full VAT deduction in case of purchase in the territory of the Republic of Belarus or import into the territory of the Republic of Belarus of goods (works, services), property rights used for construction and to equip facilities under the investment agreement;

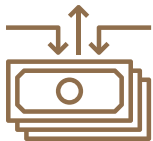
- choice of a contractor or developer of project documentation, suppliers of goods, contractors of services for construction bypassing procedures established by the law;
- exemption from customs duties and VAT when importing equipment, components and spare parts for the investment project;
- exemption from fees for the right to conclude a lease agreement for a land plot;
- exemption from the land tax;
- exemption from compensation for losses of agricultural and/or forestry production associated with the seizure of a land plot;
- exemption from VAT and income tax in connection with the gratuitous transfer of capital buildings and other fixed assets transferred for the implementation of an investment project;
- exemption from state fees for the issuance (extension of the validity period) of permits to attract foreign labor to the Republic of Belarus;
- possibility to determine the stages of work in construction with the execution of works on the construction at the current stage simultaneously with the execution of design works for subsequent stages if an architectural project is approved in accordance with the established procedure.

Other benefits require concluding an investment agreement of the second level.

6.1.3. Concession legislation

Concession is one of the types of investment activities in the Republic of Belarus.

A concession agreement is an agreement under which an investor obtains a temporary right to carry out a certain type of activity that usually falls under the exclusive competence of the state (for example, land management, genetic engineering, production of poisonous substances, organizing and conducting lotteries, import of alcoholic beverages and tobacco products), or the right to use property owned by the state (subsoil, water, forest, land). In accordance with legislative acts or a decision of the President of the Republic of Belarus, a concession agreement may provide benefits and preferences for investors or their companies established in Belarus.



Those investing on a basis of a concession agreement are provided with guarantees established by the investment legislation.

A list of objects for concession is to be posted in the media and online prior to the conclusion of a concession agreement. The type of concession agreement, as well as the method for choosing a concessionaire and a concessionary authority are also to be determined in advance. Then, the authority holds a tender to select a concessionaire. As a rule, the tenders are open.

Closed tenders may be held for the concession objects, information about which constitutes state secrets, and also for objects of strategic importance for the Republic of Belarus. Lists of such objects are also closed.

As of March 2021, the official published list of objects for concession includes 16 items, including deposits of chalk, clay and shale.

Concession agreements, depending on the subject of the agreement, are divided into 3 types:

- full concession agreement, where the ownership of the produced goods remains with the investor;
 - concession agreement on production sharing, where produced goods are divided between the concessionaire (investor) and the grantor;
 - concession agreement for the provision of services (performance of works), where the ownership of the produced goods is transferred to the concessor.
- Sub-concession is prohibited.

Currently, 8 objects have been transferred to investors on the basis of a concession, 4 of them are associated with oil fields and prospective areas.

6.1.4. International treaties of the Republic of Belarus in the field of investments

Investment activities in the Republic of Belarus are conducted in accordance with the generally recognized principles of the international law. Foreign investors in the Republic of Belarus also have access to investment protection measures provided by international treaties.

Belarus is a party to a number of multilateral international treaties, including:

- Convention on the Settlement of Investment Disputes between States and Nationals of Other States (Washington; 1965);
- Agreement of the CIS on cooperation in the field of investing activities (1993);
- Energy Charter Treaty (provisionally, not ratified; 1994);
- Convention on the Protection of the Rights of the Investor (Moscow, 1997);
- Treaty on the Eurasian Economic Union (2014).

Belarus is also a party to more than 50 bilateral investment protection agreements with the following states: Armenia, Austria, Azerbaijan, Bahrain, Belgium, Bosnia and Herzegovina, Bulgaria, Cambodia, China, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Egypt, Finland, Germany, Georgia, Hungary, Israel, Iran, Jordan, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Mexico, Moldova, Mongolia, the Netherlands, Oman, Poland, Qatar, Romania, Saudi Arabia, Serbia, Singapore, Slovakia, South Korea, Spain, Sweden, Switzerland, Syria, Tajikistan, Turkey, UAE, Ukraine, United Kingdom, Venezuela, and Vietnam.



6.2 LEGISLATION ON PUBLIC AND PRIVATE PARTNERSHIP



Public and private partnership is another mechanism available to investors (hereinafter – PPP). It is used in relation to infrastructure facilities in the following areas: road and transport activities, utilities, healthcare, social services, education, culture, physical culture, sports, tourism, telecommunications, energy, processing, transportation, storage, supply of oil and gas, agro-industrial production, defense, law enforcement, scientific and technical activities, information and telecommunication technologies.

This is a non-exhaustive list, therefore, it is possible to implement projects in other areas. Public and private partners conclude an agreement for a certain period. The agreement envisages the rights, obligations and benefits for the implementation of the PPP project.

The Republic of Belarus acts as public partner and is represented by state bodies or organizations, including local executive committees.

A private partner can be a company or an individual entrepreneur registered in accordance with the legislation of the Republic of Belarus. If a foreign company or a group of foreign entities win the tender to become a private partner, they are obliged to establish a legal entity in the Republic of Belarus to act as a private partner under the PPP agreement.

If the private partner uses the support of the third parties for the implementation of a PPP project, the public partner, private partner, creditors of the private partner and other third parties can also conclude a cooperation agreement. A PPP project includes 5 stages:

- preparation, consideration and evaluation of a proposal for the implementation of a PPP project (can be initiated by both public and private partners);
- making a decision on the implementation of a PPP project;

- organizing and holding a tender to choose a private partner;
- conclusion of an agreement between public and private partners;
- execution of the agreement.

The proposal for the implementation of a PPP project must contain a feasibility study, a draft PPP agreement and other documents determined by the Government.

Depending on the level of the state partner, the decision on the implementation is made by the President, the Government or the local council of deputies.

The tender to select a private partner can have either two stages or three stages. The two-stage competition includes the preliminary selection of participants and determination of the winner, while the three-stage competition additionally includes consultations with the participants before determining the winner of the competition.

Guarantees for the private partners include, but are not limited to:

- guarantees provided for the investors in the Republic of Belarus;
- stability of the terms of the PPP agreement (the parties change the PPP agreement if due to changes in legislation the private partner is largely deprived of what it had the right to at the time when the PPP agreement was concluded);
- with the consent of the public partner and through a competition, it is possible to change the private partner by claim assignment, debt transfer and other means (unless expressly prohibited by the PPP agreement);
- interference in the activities of a private partner is not allowed, except in cases provided for by the law and the agreement;
- protection of property and other rights;
- a private partner can independently choose suppliers and contractors, regardless of the sources of financing of the PPP project.

Currently, the website of the National Agency for Investment and Privatization has posted 6 proposals for PPP projects for the periods from 10 to 54 years. 2 of them are related to the construction of roads, and the remaining 4 – to the construction of social institutions.

6.3 PREFERENTIAL REGIMES



In order to stimulate business development in certain areas and regions of the Republic of Belarus, legislation imposes special preferential legal regimes. Such regimes provide benefits and preferences for business, simplify certain business procedures, and allow special types of activities and the application of the foreign law.

Such preferential regimes are established for:

- Hi-Tech Park (section 6.3.1);
- Industrial Park “Great Stone” (section 6.3.2);
- Free economic zones (section 6.3.3);
- Medium-sized and small towns, rural areas (section 6.3.4);
- South-Eastern district of the Mogilev region (section 6.3.5);
- Orsha district of Vitebsk region (section 6.3.6);
- Special economic zone “Bremino-Orsha” (section 6.3.7);
- Special tourist and recreational park “Augustow Canal” (section 6.3.8).

6.3.1. Hi-Tech Park (HTP)

HTP is a unique cluster because its residents are engaged in the development and creation of projects and products using information technology. With the adoption of the Decree of the President of the Republic of Belarus dated 21 December 2017 No. 8 “On Development of the Digital Economy”, the HTP received unique legal opportunities and tax benefits for its residents.

HTP residents may carry out innovative activities, including but not limited to the following:

- production of programs in accordance with the instructions of the user;
- design, development and implementation of the automated control systems;
- development, maintenance, operation and implementation of unmanned vehicle control systems;
- development, maintenance and implementation of hardware and software technologies for the financial sector (contactless technologies for payments in non-cash form, mobile payments, electronic trading and others), financial information technologies;
- creation, training of neural networks and other algorithms in specialized sections of artificial intelligence and implementation of the results of this activity;
- activity of the operator of the crypto-platform;
- activities of the cryptocurrency exchange operator;
- mining of crypto-currencies;
- activities in the field of e-sports, including the preparation of the e-sports teams, organization of competitions, their broadcasting.

HTP residents are granted, inter alia, the following benefits:

- exemption from income tax, VAT, offshore fees, import duties, land tax and local taxes;
- 5% tax rate on the income of foreign organizations;
- 5% tax rate on dividends, 0% tax rate on royalties;
- exemption from land tax for a period of up to 3 years for land plots in the territory of HTP required for the construction of buildings;
- exemption from payment of social security payments from the income exceeding the average monthly salary in Belarus;

- HTP residents are not subject to the legislation on the procedure for conducting and controlling foreign exchange transactions;
- until 2023, profit and income from mining, creation, acquisition, and alienation of tokens are exempt from taxes on profit, income, and VAT.

HTP residents also have access to instruments of the English law, such as a convertible loan, non-competition agreement, non-solicitation agreement, and an option agreement. These tools are not yet included in the Civil Code and are rather treated as a “legal experiment”.

The preferential HTP regime is in force until 1 January 2049.

HTP residents can be companies and individual entrepreneurs registered in the territory of the Republic of Belarus. There is no need to be physically located in the HTP territory.

To register as a HTP resident, the company or individual entrepreneur must submit the following documents to the HTP administration:

- a certified copy of the charter;
- a certified copy of the certificate of state registration;
- a business project that contains one or more types of activities allowed for the HTP residents, specific steps for their execution, types and volumes of goods, works and services which the resident will carry out, and the planned results of financial and economic activities.

The HTP Supervisory Board makes a decision on registration or refusal of registration. It can also entrust the HTP administration to conduct a scientific and technical examination of the business project to make a decision on registration. Today, there are 1021 residents in the HTP, including Yandex, Viber, Wargaming, A1QA, Ittransition, Flo, IBA Group and EPAM Systems.

6.3.2. Industrial Park “Great Stone” (Industrial Park)

The preferential legal regime for residents of the Industrial Park is established by the Decrees of the President of the Republic of Belarus dated 05.06.2012 No. 253 “On Establishment of the Chinese-Belarusian Industrial Park “Great Stone”” and dated 12.05.2017 No. 166 “On Improvement of the Special Legal Regime of the Chinese-Belarusian Industrial Park “Great Stone””.

The objectives of the Industrial Park are to attract investment and create competitive companies focused on the development of production in modern sectors of the economy, taking into account development of innovation, research, trade, logistics, housing and other industries.

- The main activities of the Industrial Park are:
- creation and development of production facilities in the fields of electronics and telecommunications, pharmaceuticals (including biopharmaceuticals), medical devices, medical services, laboratory diagnostics, fine chemistry, biotechnology, mechanical engineering, new materials, integrated logistics, e-commerce, activities related to storing and processing of large amounts of data, social and cultural activities, as well as carrying out the research and development work;
 - creation of conditions for innovative activities in the Industrial Park, attraction and support of the innovative companies, development of the land plots on the territory of the Park together with the construction of the infrastructure facilities and their maintenance, attraction of residents, investors, innovative companies of the Industrial Park to such land plots;
 - carrying out research, development and experimental technological works using 5G technologies and artificial intelligence.

Some of the benefits for the residents of the Industrial Park are:

- exemption from income tax on the income from the sale of goods (works, services) of own production for the first 10 years, income tax rate reduction by 50% for the next 10 years;
- exemption from real estate tax and land tax on land plots in the territory of the Industrial Park;
- 0% income tax rate on dividends paid to the founder within the first 5 years from the date of the announcement of the profit, for large investment projects – within 10 years;
- 9% income tax rate for resident’s employees (from 1 January 2023 until 1 January 2027);
- exemption from VAT and customs duties on the goods imported for the investment projects in the Industrial Park;
- procedures for procurement in construction and regulation of prices and tariffs for goods (works, services) in construction are not applied;
- 180 days of visa-free stay in the territory of the Republic of Belarus for resident’s employees who are foreign citizens;
- simplification of import customs procedures for large investment projects, including the right to release goods before filing a declaration and the right not to provide guarantees for the fulfillment of the obligation to pay customs duties and fees;
- stabilization clause (the legal regime established by the legislation on the Industrial Park will be preserved for the investor for 10 years, even if the legislation of the Republic of Belarus changes).

Starting from 2021, residents and other companies of the Industrial Park have access to such instruments of the English law as convertible loan and option agreement.

The preferential regime for residents of the Industrial Park is in force until 2062.

The guarantees established by the investment legislation of the Republic of Belarus also apply to the residents of the Industrial Park.

The resident should be registered in the territory of the Industrial Park. In addition, the resident's investment project must meet the following requirements:

- must be carried out in the territory of the Industrial Park in accordance with the types of the activities of the Industrial Park;
- the amount of investment should be at least 5 million USD, while in case the project relates to carrying out research and development works, the amount of investment should be at least 500 thousand USD;
- for a large investment project the amount of investment should be at least 50 million USD.

Not only residents of the Industrial Park enjoy preferential treatment. Startups that carry out activities in the Industrial Park and are registered as innovation companies also have a right to the same preferences for a period of 2 years.

To become a resident of an Industrial Park, the company should submit an application, justification for the investment project, draft agreement on the terms of operation and copies of the certificate of state registration and constituent documents. Today the Industrial Park has 67 residents.

6.3.3. Free economic zones (FEZs)

FEZ is a part of the territory of the Republic of Belarus where the residents are provided with a special legal regime for investment and entrepreneurial activity. There are 6 SEZs in the Republic of Belarus which gather 440 companies. Certain organizations cannot be residents of FEZ, such as banks, non-bank financial organizations, insurance companies and brokers, associations of insurers.

Benefits for FEZ residents are in force until 31 December 2049 and include the following:

- exemption from income tax if produced and sold goods are exported or sold to other FEZ residents;
- exemption from real estate tax and land tax;
- exemption from VAT and import customs duties;
- exemption from compensation for the value of the removed flora objects;
- free customs zones are created in the territory of the FEZ.

Investment projects implemented in a FEZ must imply:

- the investments in the amount of not less than 1 million EUR, or alternatively in the amount of 500 thousand EUR provided that the investments are made within 3 years from the date of conclusion of the agreement;

- creation and (or) development of production facilities focused on export and (or) import-substitution.

Only Belarusian legal entities or individual entrepreneurs actually registered in the territory of a certain FEZ can be registered as a FEZ resident. To register as a FEZ resident, a company should submit an application, certified copies of the constituent documents, certificate of state registration, business plan of the investment project, and pay the state fee. If there are two or more applicants for creation of similar production facilities or for the same land plots and production areas, a tender is held.

The resident needs to conclude an agreement on the terms of operation with the FEZ's administration which establishes the conditions for the implementation of the investment project. FEZ residents are subject to the guarantees provided by the investment legislation.

6.3.4. Medium-sized and small towns, rural areas

The special legal regime applies to stimulate business in medium-sized and small towns, and also in rural areas. It was imposed by the Decree of the President of the Republic of Belarus No. 6 dated 7 May 2012 (Decree No. 6).

The territory of medium-sized and small towns, and rural areas is the territory of the Republic of Belarus, with the exception of the cities of Baranovichi, Bobruisk, Borisov, Brest, Vitebsk, Gomel, Grodno, Zhodino, Zhlobin, Lida, Minsk, Mogilev, Mozyr, Molodechno, Novopolotsk, Orsha, Pinsk, Polotsk, Rechitsa, Svetlogorsk, Slutsk, and Soligorsk.

Such legal regime applies to legal entities and individual entrepreneurs registered in the territory of such cities and areas for the period of 7 years from the date of their state registration. Here are some of the benefits provided to businesses in such territories:

- exemption from income tax in respect of profits and income received from the sale of goods (works, services) of own production;
- exemption from state fees for issuing licenses, if such licenses are required;
- property tax exemption;
- exemption from the mandatory sale of foreign currency received in transactions with non-residents;
- exemption from the mandatory conclusion of transactions on the exchange trading;
- the right to independently determine the conditions for the purchase of raw materials and the sale of products of their own production, to choose suppliers and buyers.

These benefits can also apply to branch offices or other separate divisions of the companies in the territory of medium-sized and small towns and rural areas, if they have a separate balance and bank account.

At the same time, these benefits are not applicable to banks, non-bank credit and financial organizations, investment funds, insurance companies, microfinance organizations, professional participants in the securities market, residents of the HTP, the special tourist and recreational park "Augustow Canal", Industrial Park "Great Stone". The provisions of the Decree No. 6 neither work for organizations and individual entrepreneurs in terms of their real estate activities, gambling activities, lottery activities; activities related to the organization and conduct of electronic interactive games, production and (or) sale of excisable goods, production and (or) sale of jewelry, production of securities, banknotes and coins, postage stamps, nor activities within a simple partnership.

6.3.5. The South-Eastern district of Mogilev region (SED)

The Decree of the President of the Republic of Belarus dated 8 June 2015 No. 235 imposed a special legal regime for comprehensive social and economic development of the SED and for creation of favorable living conditions. This regime is applicable to Krychau, Klimovichi, Krasnopol'sky, Kostyukovich, Slavgorod, Cherkov and Khotsim'sk areas.

This legal regime is in force until 31 December 2025. It implies a 10% income tax and 24% rate payments to the Social Security Fund (instead of standard 13% and 34% correspondingly) for employees of legal entities and individual entrepreneurs registered in the territory of the SED.

6.3.6. Orsha district of Vitebsk region

A special legal regime was also imposed in the Orsha district of the Vitebsk region in accordance with the Decree of the President of the Republic of Belarus dated 31 December 2018 No. 506. It aims to create conditions for the comprehensive social and economic development of this area, to improve the quality and standard of living, to stimulate entrepreneurship and investment in the region and to increase local budget revenues.

This legal regime is part of the Orsha District Development Program which is in force until 2023 and includes, inter alia, the following benefits:

- the possibility to use the simplified tax system with 1% tax rate for revenue from the sale of goods of own production and 2% tax rate from the sale of works (services) of own production;
- 24% rate for the payments to the Social Security Fund;
- the right to use an investment deduction of no more than 30% for buildings, structures and transmission gear units and no more than 50% for machinery and equipment;
- non-application of restrictions on the terms of completion of foreign trade operations established by the Decree of the President of the Republic of Belarus dated 23 March 2008 No. 178;
- the right to use the construction and technical standards of the EU, the EEC and the PRC in the development of project documentation for the construction of facilities in the Orsha district;
- exemption from the requirement to compensate losses of agricultural and forestry production.

6.3.7. The special economic zone “Bremino-Orsha”

Orsha district offers businesses another special legal regime set in the Multimodal Industrial Logistic Complex “Bremino-Orsha” in accordance with the Decree of the President of the Republic of Belarus dated 21 March 2019 No. 106 (Decree No. 106). This legal regime is established for 50 years.

The purpose of this regime is to attract the investments and create competitive conditions for manufacturing organizations and organizations engaged in wholesale trade, e-commerce, logistics services, postal services, information services, research and development, administrative and office support services, services, works and support activities in the field of transportation.

This special legal regime provides, inter alia, the following benefits:

- provision of land plots for rent for up to 99 years and exemption of the managing company from rent payments;
- exemption from procurement requirements existing in the field of construction;
- development of pre-project (pre-investment) documentation is not required;
- exemption from income tax in respect of profit received from the sale of goods (works, services) of own production within 9 years from the tax period in which the gross profit arose;
- property tax exemption for 20 years;
- the right to full VAT deduction when importing or purchasing goods (works, services) in the Republic of Belarus, property rights for purposes of construction and objects equipment in the special economic zone;
- 5% income tax rate on royalties for foreign organizations (until 1 January 2028);

- exemption from accounting legislation requirements for primary accounting documents;
- stabilization clause (if the adopted regulatory legal acts worsen the conditions of activity for the resident, then the legislation that has existed on the date of entry into force of the Decree No. 10⁶ applies; this clause is valid until 1 January 2028).

To implement an investment project, an agreement on the terms of economic activity needs to be concluded between a resident and the management company of this special economic zone. The administration of the FEZ “Vitebsk” also takes part in the management of this zone.

Only a legal entity located in its territory and implementing an investment project can become a resident of a special economic zone. It also needs to meet the following requirements:

- its activities should correspond to the activities of the special economic zone;
- the investment amount shall not be less than 5 million USD; or it should not be less than 500 thousand USD for projects related to research, development and experimental-technological works. The amount of investments may be from 500 thousand to 5 million USD provided that the project is implemented within three years from the date of conclusion of the agreement on the terms of economic activity.

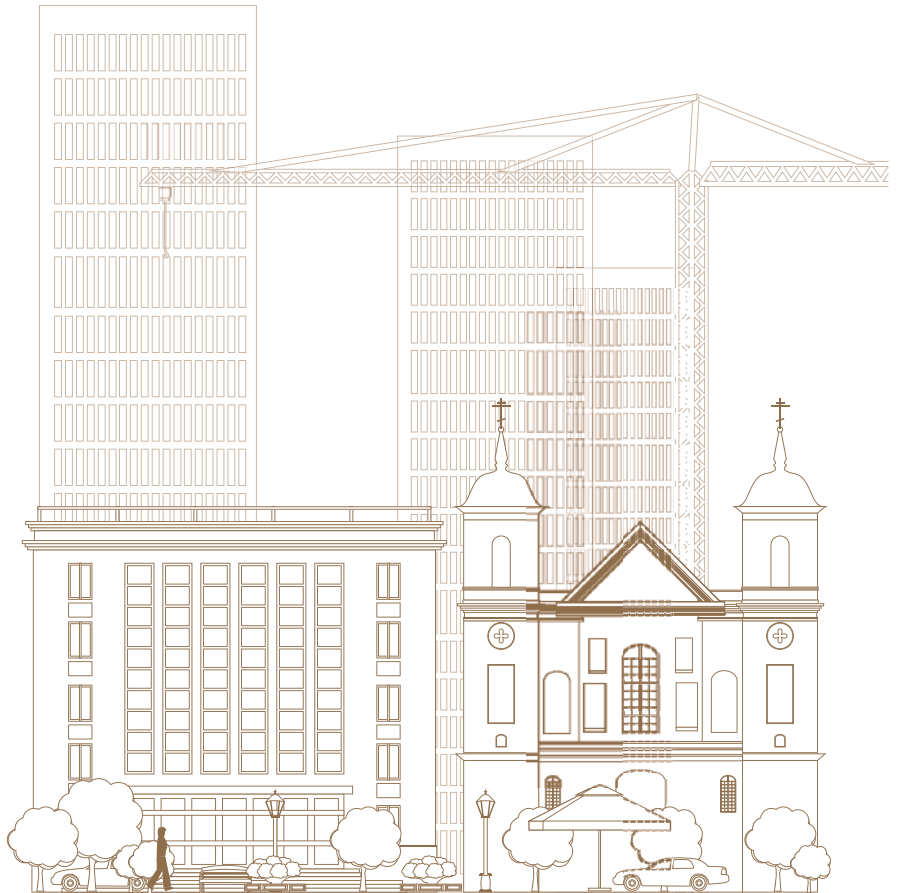
6.3.8. Special Tourist and Recreational Park “Augustow Canal”

The Decree of the President of the Republic of Belarus dated 26 May 2011 No. 220 envisages benefits for the implementation of investment projects in the territory adjacent to the Belarusian part of the Augustow Canal until 2031. This special regime is established to develop the tourism industry and infrastructure.

To become a resident of the Park, the legal entities and individual entrepreneurs shall implement the projects where the amount of investments makes at least 200 thousand EUR. These projects shall aim at creating and developing tourist industry facilities and infrastructure while carrying out certain types of activities.

A number of preferences are provided for residents of the park, including:

- exemption from tax on profits received from the sale of goods, works, and services of their own production for 5 calendar years. After this period the tax rate is reduced by 50%;
- exemption from real estate tax, fee for the right to conclude a land lease agreement;
- exemption from import customs duties and VAT;
- exemption from compensation for losses of agricultural or forestry production caused by the seizure of agricultural land and forest land;
- exemption from the state fee for the issuance of special permits to foreign employees.



6.4 CORPORATE LAW.

STARTING BUSINESS IN BELARUS: MAIN FORMS

Various corporate structures are available for foreign investors planning their business in Belarus.

6.4.1 REPRESENTATIVE OFFICES OF FOREIGN COMPANIES IN BELARUS

A representative office (RO) is convenient for initial stage of business in Belarus when purposes are preparatory and support activities such as market or investment opportunities research, ticket sales, other socially beneficial activities. It is important to note that maximum number of foreign employees in representative office is 5 persons. ROs of foreign companies are opened based on permits issued by regional (Minsk City) executive committees. The validity period of such permit is 3 years (prolongation for the same period is possible). The state duty covering 3-year validity period is 195 basic units (~ EUR 1,850). The duty is paid prior to submitting documents to the respective executive committee.

The permit is issued within 30 days after the submission of the package of documents to the executive committee. The remaining procedures after the permit's issuance take at least two weeks and include registration in tax authorities, social security fund, insurance organization, as well as opening a bank account.

6.4.2 COMMERCIAL LEGAL ENTITIES

(1) FORMS AND TYPES OF COMMERCIAL LEGAL ENTITIES

A Limited Liability Company (LLC) is the most widely used form of business. LLC's shareholders can be both individuals and legal entities. An LLC can have only one shareholder. Shares in an LLC do not require any specific registration.

The percentage of shares in LLC, as well as attributable number of votes and the amount of profit, are determined proportionally to the amount of the shareholder's contribution to the share capital.

At the same time shareholders are entitled to establish a disproportionate ratio of shares, and the number of votes as well as the amount of profits. If one of the shareholders plans to sell his share to a third party, he is obliged to offer this share to other shareholders as they have preemptive rights to purchase this share (this right cannot be eliminated by introducing any provisions to the Articles of Association (AoA) of the company). If the preemptive right was not used by the shareholders (or was used in relation to the part of the share), the LLC itself obtains the right to purchase this share (remaining part of the share). Unlike in JSC, LLC's shareholders are entitled to exit LLC at any time without other shareholders' consent (however, the exit of all shareholders is not allowed as the LLC shall have at least one shareholder). The exiting shareholder is paid the actual value of his/her share within a year, as well as the amount of profit attributable to their share, received by the LLC from the moment of exit till the moment of settlement with them (the moment of settlement depends on the date of approval of annual reports for the financial year which are approved at the annual general shareholders meeting (GSM), held not later than March 31 of the year following the reporting one).

An LLC is a popular form due to the convenience of the ownership structure as well as the flexible management.

Additional Liability Company (ALC) is very similar to LLC. The ALC's share capital is also divided into shares, and the main difference from LLC is that ALC's shareholders hold subsidiary liability for its obligations. At the same time shareholders bear joint liability – in case of insufficiency of property of one shareholder, liability for the company's obligations is distributed between the remaining shareholders of ALC. The amount of additional liability is determined by shareholders themselves, but it cannot be less than the legislative minimum of 50 basic units (around EUR 470). In the rest aspects ALC is completely similar to LLC.

A **joint-stock company (JSC)** is established by one or more individuals and/or legal entities (shareholders), and the share capital of the JSC is divided into shares. The shares of JSC are securities issued by the JSC itself. The issue of shares is registered in the Securities Department of the Ministry of Finance (or its respective territorial units).

The issue (cancellation) of shares or increase (decrease) of their nominal value is also accompanied by their registration. Transactions with JSCs' shares can be carried out on the organized market (in Belarus, these are transactions within the Belarusian Currency and Stock Exchange) and the unorganized market (without stock exchange participation). If the transactions with JSC shares are not carried out on the organized market, these transactions shall be registered by professional participants of the securities market (by broker or depositary with the respective license).

JSCs are divided into two types: open (OJSC) and closed (CJSC) ones. OJSC's shares can be sold to an unlimited number of persons without other shareholders' consent. The main difference of a CJSC is that its shares can be sold only to other active shareholders or to a limited number of persons determined in accordance with the CJSC's AoA. Besides, the CJSC's shareholders have preemptive right to purchase shares of other shareholders.

The **unitary enterprise's (UE)** property is the property of its founder, and the UE itself possesses such property based on the right of economic management. The UE's property cannot be divided and cannot be distributed by contributions (shares). Therefore, the UE is a commercial entity which do not have ownership rights to its property assigned to it by the owner. The UE can be established solely by one legal entity or an individual (however, the regime of joint ownership by spouses is allowed). The UE can be sold or assigned as a single property complex, including buildings, equipment, inventory, raw materials, finished goods, claims, debts, trademarks and other exclusive rights of the UE. Such property complex is considered as a real estate object and is registered with the National Cadastral Agency (including related rights and operations). In order to attract a business partner into the UE, it will be necessary to restructure the UE into another type of legal entity, which allows more than one shareholder (founder).

THE MINIMUM SHARE CAPITAL AND THE NUMBER OF SHAREHOLDERS

Type / Form of legal entity	Minimum amount of the share capital	Minimum number of shareholders / owners	The procedure for formation of the share capital
Unitary enterprise	1 kopeck	Only one property owner	<p>The share capital shall be formed in Belarusian rubles and fully paid within 12 months from the date of state registration of a legal entity.</p> <p>Legislation also allows shareholders making contributions that do not change the amount of the share capital. Such contributions are not a considered as loans and, therefore, do not require repayment. Such contributions can be useful when beginning business activities, when funds are vital to rent premises, purchase equipment, to pay salaries for employees, to organize production.</p>
Limited Liability Company	1 kopeck	Minimum 1 shareholder, maximum 50 shareholders	
Closed Joint Stock Companies (CJSC)	100 basic units (around EUR 920)	Minimum 1 shareholder, the maximum number is unlimited	
Open Joint Stock Company (OJSCs)	400 basic units (around EUR 3,700)	Minimum 1 shareholder, the maximum number is unlimited	

6.4.3 Management

(1) UNITARY ENTERPRISE

UE's property owner is the supreme governing body. Its exclusive competence includes determining the objectives of the UE, amending the AoA, increasing (decreasing) the share capital. The owner appoints and dismisses the UE's director (the owner personally can be the director).

(2) LIMITED LIABILITY COMPANIES AND JOINT STOCK COMPANIES

The structure of the management bodies of LLCs and JSCs includes the general shareholders meetings and the director (or board), in some cases the structure shall also include a supervisory board (in most cases it's optional).

The general shareholders meeting (GSM) is the highest governing body in LLCs and JSCs. The meeting shall be held at least once a year, the number of extraordinary meetings is unlimited.

The GSM's competence includes deciding on company's restructuring and liquidation, amendments to the AoA, changing the amount of the share capital, appointment of management bodies and other strategic issues. The meeting can be convened and held remotely using digital technologies.

The creation of the Supervisory Board is obligatory for JSCs with more than 50 shareholders, but this body can be established in LLCs and CJSCs, too.

The company's AoA may empower this body with the competence to determine main directions of the company's activities, the formation and early termination of powers of executive bodies, the convening and holding of the GSM, to decide on other issues defined by law (if the Supervisory Board is not established, its competence is exercised by the GSM. At the same time GSM may exercise part of Supervisory Board's competence even if the Board is established, but in this case it's vital to correctly distribute the competence of the two bodies in the AoA). Only private individuals can be Supervisory Board's members (it's not obligatory that they are at the same time company's shareholders).

The executive bodies have the rest competence and manage the daily activities of the company. They are accountable to the GSM and the Supervisory Board (if it is established). The company may be run by a sole and/or collegial executive body (Director/Management Board). The company can have two executive bodies at the same time – a Director and a Management Board, with the Director being the Chairman of the Management Board. When establishing two executive bodies at the same time, it is important to clearly divide their competence in the AoA, for example, taking into account the importance of a certain decisions for the company. The executive body's functions can be delegated to an outsource organization or outsource CEO.

A foreign national can be appointed as a Director/Board of Directors member in any organization, if this person obtains a special permit for the right to work. Citizens of the Eurasian Economic Union member states as well as employees of Hi-Tech Park residents are entitled to work without this permit.

The internal auditor (or internal audit committee) shall be appointed to control the activities of the company. This body is entitled to commit inspections of the company's financial and economic activities at any time. The auditor also has access to all documentation relating to company's activities. The mandatory auditor's obligations include inspection of company's annual reports and balance sheets prior to their submission to GSM for approval.

6.4.4 Shareholders Agreement (SHA)

An effective tool for regulating relations between shareholders is available under Belarusian corporate legislation, which is a Shareholders' Agreement (SHA). It is possible to conclude one SHA between all shareholders. With a SHA it is possible to coordinate shareholders' activities related to the company's management, as well as to establish special mechanisms for exercising their rights and protecting interests.

The SHA is an agreement regulating exercise of rights certified by shares and (or) on the specifics of exercising these rights. The SHA is concluded with regard to all shares owned by the shareholder being a party to the SHA. It is not possible to claim management bodies' resolution as invalid if this resolution violates SHA, but a party to the SHA can be obliged to pay fine (or bear other liability) following violation of SHA's provisions. The SHA shall be concluded in writing by drafting single document signed by the parties to the SHA.

The SHA may include following obligations:

- to vote in a certain way at the GSMs;
- to coordinate voting with other shareholders;
- to purchase or sell shares at a determined price and/or upon the occurrence of certain circumstances;
- to refrain from selling shares until occurrence of certain circumstances;
- to carry out in a coordinated manner other actions related to the company's management, its activities, restructuring and liquidation.

The SHA shall not establish obligations to vote in accordance with the instructions of the company's management bodies



6.4.5 Establishing a company

In order to establish a company in Belarus, it is necessary to pass through the following steps:

- to choose company's name and approve it with the territorial executive body;
- to choose company's legal address (fictitious addresses are not allowed);
- to draft company's AoA;
- to draft necessary resolutions on the company's establishment, where the AoA will be approved, to select and appoint management and other bodies, make other necessary decisions for starting business activities;
- to submit an application on company's registration attaching package of documents to the territorial executive body.

The state registration process will take one business day maximum, and all the rest actions to organize business, including opening of bank accounts, will take no more than a week and a half.

The company is active from the date of its state registration, which is the same as the date of submission the documents. The proof of the state registration is the stamp of the registration authorities made on the AoA. The registration within tax authorities, social security fund, statistics authorities and insurance organization is made within next five working days without applicant's participation. After the state registration, it will be necessary to employ the director as well as the chief accountant, to arrange production of a seal (it is possible to operate without a seal, but existing business customs require its use even today), to open bank accounts.

6.5 PRIVATIZATION

The following objects can be subject to privatization in Belarus:

- shares owned by state;
- accomodation;
- state-owned enterprises;
- leased state property.

Potential investors can join the privatization of state enterprises at different stages:

- as new shareholders following the restructuring of state enterprises into JSCs;
- by acquiring state-owned shares in existing JSCs;
- by acquisition of a state or municipal unitary enterprise as a property complex.

The list of JSCs' shares available for privatization is published annually at the website of the State Committee on Property

(<http://www.gki.gov.by/ru/auction-auinf-auishares/>).

This list includes information about the terms of privatization, the state's share in the privatization object, and a brief description of privatization objects.

If the investor shows his interest to acquire shares from the list, he sends a letter to the State Committee on Property. Subsequently, this letter is considered by a special commission which decides whether it is reasonable to prepare resolution of the President on privatization of shares through a tender, auction or direct sale.

The investor seeking to acquire privatization objects not from the approved list is also entitled to show its initiative. If the state considers the terms proposed by the investor as favorable, the object can be also sold.

6.5.1 A founder of OJSC

State bodies may decide to restructure UEs into JSCs. The State Committee on Property (or its territorial units), depending on the size of the UE to restructure, may announce a tender for the selection of a private investor in addition to the state – the future JSC's shareholder. The tender winners are selected after the tender by a special commission or by direct negotiations, if there will be only one participant in a tender

It is also possible to acquire shares in the restructured organization at the stage of selling shares.

6.5.2 Acquisition of shares in state-owned JSCs and enterprises as property complexes

The State Committee on Property can also organize an auction or tender for the sale of state's shares or property complexes on its own. The tender or auction is announced by the Belarusian mass media and on the official website of the Committee: www.gki.gov.by. In order to participate the investor prepares all the necessary documents.

The tender participants shall also submit a tender offer that meets tender's conditions. The tender or auction winner becomes a company's shareholder, or the owner of the sold property complex.

6.5.3 Antitrust clearance for certain deals and actions

Some business actions (acquisition of shares, establishment of holdings, acquisition of real estate, etc.) may affect competition in the country – for instance, lead to price increases/decreases, influence the conditions of goods circulation in the market. A number of such actions and deals are recognized as economic concentration and require prior consent of the Ministry of Antimonopoly Regulation and Trade (MART) or its territorial units or notification of the respective organs when certain parameters are exceeded. The most common cases when antitrust clearance is required are:

- Acquisition of shares if the balance sheet assets are exceeded (over 200 thousand basic units ~ EUR 1.8 million) or the amount of annual revenues is exceeded (over 400 thousand basic units ~ EUR 3.6 million) by the target company or the purchaser company;
- Acquisition of property located in Belarus, which constitutes over 20% of fixed assets of the company, whose property is on sale – if the balance sheet assets is exceeded (over 200,000 basic units ~ EUR 1.8 million) or the amount of annual revenues is exceeded (over 400,000 basic units ~ EUR 3.6 million) by the target company or the company, whose property is on sale;

- Creation of a holding if the total balance sheet assets of the companies of the holding is exceeded (over 200 thousand basic units ~ EUR 1.8 million) or their total revenue is exceeded (over 400 thousand basic units ~ EUR 3.6 million).

The antitrust clearance will require a submission of a package of documents from the purchaser and the company whose shares (or property) are acquired. In case of establishment of a holding, the package of documents is required from all holding's shareholders. The period of review of documents by MART is 30 days.

An easier way of notifying MART regarding the economic concentration (in the form established by legislation and within one month from the date of economic concentration itself) is applicable in the following cases:

- If the same shareholder owns more than 50% of shares in companies-parties to economic concentration;
- If the property of UEs-participants of economic concentration is owned by the same person.

It is important to note that the Belarusian antitrust legislation is extraterritorial: the performance by foreign entities of actions recognized as economic concentration under the Belarusian antitrust legislation in relation to Belarusian companies may require the antitrust clearance. Even if the deal or other action (inaction) of foreign entities is not directly related to Belarusian entities, but may affect competition (its limitation or elimination) on the market (for example, will lead to increase/decrease of prices (tariffs), influence the conditions of goods circulation) – such actions may also lead to necessity to obtain antitrust clearance.

There is no state duty for consideration of an application for antitrust clearance by the antitrust body.

6.6 FINANCIAL REGULATION IN BELARUS

In July 2021 regulation of the financial sphere in the Republic of Belarus has undergone sufficient changes, and many currency transactions have become easier to enter in.



6.6.1. Bank accounts

Starting from July 9, 2021, private persons and legal entities of Belarus can open current and deposit accounts in foreign banks without restrictions. Belarus-based companies can receive revenue under foreign trade deals to foreign accounts providing that they transfer the revenue to their accounts in Belarus within 5 business days.

Foreign companies can also freely open accounts in Belarus-based banks in a national or foreign currency. It is permitted to leave funds in foreign accounts, if this money is used to pay taxes, perform a set-off with foreign partners and in some other cases.



6.6.3. Registration of currency agreements

Starting from July 9, 2021, some of agreements constituting deals with non-residents shall be registered at a web portal of the National Bank.

This obligation applies to a currency agreement, if a sum of monetary obligations in the agreement is not defined or exceeds a certain limit established by law: 2,000 basic values, if a currency agreement is concluded by a resident – a private person and 4,000 basic values, if an agreement is concluded by a resident – a legal entity or an individual entrepreneur. Currency agreement shall be registered prior to a point of time when a resident starts to execute the contract (that is before a shipment of goods, start of rendering services, etc.) or within 7 business days after receiving an advance payment from a non-resident. Registration can be performed free of charge by the residents or by their servicing banks.

Besides, monthly, not later than the 15th day of each month, at the web portal a resident shall reflect sums of transactions with non-residents under currency agreements.



6.6.2. Foreign currency accounts and currency exchange

Settlements in foreign currencies between residents of Belarus are limited to certain permitted cases and can be performed exclusively in a cashless form. Settlements between a resident and a non-resident can be performed in a national currency or in foreign currencies in a cashless form – without limitations and in cash – upon compliance with specific limits regarding sums and restrictions established by law.

Residents and non-residents can freely exchange currencies in Belarus-based banks regardless of a purpose of exchange.

6.7 LEGAL STATUS OF LAND AND OTHER REAL ESTATE



The civil legislation of the Republic of Belarus designates as real estate the following objects: land plots, subsoil plots, surface water bodies and everything that is firmly connected with land, that is, objects that cannot be moved without disproportionate damage to their purpose, including forests, perennial plantations, capital structures (buildings, constructions), unfinished frozen capital structures, isolated premises, parking spaces.

An enterprise as a property complex, aircraft and sea vessels subject to state registration, inland navigation vessels, river-sea navigation vessels, space objects are also equated to real estate. Other property may also be classified as immovable by legislative acts.

6.7.1 Registration of real estate

Real estate, rights to it and transactions with it in cases stipulated by legislative acts are subject to state registration. Such registration is public. The document confirming the performed state registration is a certificate of state registration. The registration of a real estate transaction can also be certified by making a registration inscription on the original document expressing the content of the registered transaction.

Without fulfilling the requirement for state registration, a real estate transaction is invalid. Refusal or evasion of state registration of real estate, rights to it and transactions with it can be appealed in court.

The procedure for state registration and the grounds for refusing registration are established by the legislation on state registration of real estate, rights to it and transactions with it. Such transactions with real estate as lease, sublease and free use of buildings and constructions and the rights to them are not subject to state registration.

Registration is carried out by the local state registration and land registry agencies (local agency).

All information about registered real estate is available in the Unified State Register of Real Estate, Rights to it and transactions with it (Register of Real Estate). Registration data are open to the public. Any person can request information (including information on ownership and other rights) on a specific real estate object at its address and / or inventory / cadastral number. However, only rightholders, their successors, government agencies and, in some cases, notaries and lawyers can access the list of all real estate objects belonging to a particular individual or legal entity.

6.7.2. Land plots

In Belarus, land plots are used in accordance with their intended purpose, which is established in the decision on the withdrawal and provision of the land plot which is adopted by the local executive body. Lands of the Republic of Belarus are divided into the following categories: agricultural lands, urban lands, lands of industry, transport and other purposes, lands for nature conservation, health-improving, recreational, historical and cultural purposes, forest lands, water fund lands, reserve lands.

The intended purpose of land plots can be changed by decision of local executive committees on the basis of an application from an interested person and a package of documents attached thereto.

Belarusian legal entities (including those with foreign investments) may have the following rights to land:

- ownership right;
- the right of permanent use;
- the right of temporary use;
- the right to lease (the most common).

Land plots from state ownership to private are provided, with some exceptions, based on the results of the auction. State-owned land plots are also sold to Belarusian legal entities:

- from electronic trading;
- public bidding for the sale of unfinished construction of an frozen object in the event of withdrawal of a plot from the investor due to non-fulfillment of the investment agreement.

Without an auction, land plots from state ownership to private one can be provided in cases established by legislative acts or determined by the President. For example, without an auction, you can purchase a land plot when buying real estate. A prerequisite for this is that the property must be sold without an auction and must already be on the site.

The investor can also be granted ownership of a land plot for a construction project by the decision of the local executive committee without an auction.

The right of permanent use of a land plot gives the right to own and use a land plot for its intended purpose without any time limit. The following types of commercial legal entities can own a land plot on the basis of the right of permanent use:

- agricultural organizations;
- non-state legal entities (rights to land plots used for servicing state-owned immovable property);
- legal entities - for the construction, maintenance of multi-apartment residential buildings (with the exception of luxury residential premises according to the criteria determined by such acts), parking areas and garages;
- legal entities - if it is required to provide them with another land plot instead of the seized one, in cases when the seized land plot is provided to such persons on the basis of the right of permanent use;
- legal entities - for the reconstruction of existing capital buildings, isolated premises in capital buildings, if it is required to change the purpose and (or) the size of the land plot provided to the legal entity on the basis of the right of permanent use;
- legal entities - for the construction and (or) maintenance of transport and engineering infrastructure and roadside service facilities (except for the construction of roadside service facilities in suburban areas of Minsk and regional centers), etc.

The aforementioned entities may also be granted the right of temporarily use of a land plot (for a maximum of ten years, with some exceptions). The right of temporary use can also be granted to investors acting on the basis of concession agreements for a period of up to 99 years.

Lease agreements can be concluded for a maximum of 99 years and with an indication of the amount of lease payments in the agreement.

The general rule is that land owned by the state is leased based on one of the following main types of auctions:

- auction for the right to conclude a lease agreement for a land plot;
- an auction for the right to design and build capital structures.

The provision of state-owned land plots is carried out in accordance with the procedure for the seizure and provision of land plots established by the President of the Republic of Belarus.

The decision on the seizure and provision of a land plot must indicate:

- land users, from whose lands the land plot is withdrawn;
- the area of the land plot, indicating that the area to be entered in the Real Estate Register and included in the lease agreement for the land plot (if the land plot is provided for lease) will be specified when establishing the boundaries of the land plot on the ground;
- persons who are provided with a land plot;
- the right in rem to a land plot and its validity period if the right is periodic;
- the intended purpose of the land plot provided, as well as the purpose of the land plot in accordance with the unified classification of the purpose of immovable property, if necessary, information on the transfer of the land plot from one category to another;
- the amount and terms of payment for the right to conclude a lease agreement for a land plot;
- the amount of losses, losses of agricultural and (or) forestry production subject to compensation, the procedure and conditions for their compensation, a certain account of the republican budget intended for crediting the corresponding payments to it;



- the presence of restrictions (encumbrances) of rights in the use of a land plot, including a land servitude;
- conditions for the removal, preservation and use of the fertile soil layer, as well as the procedure for the return and (or) reclamation of land provided for temporary use;
- other conditions for the allotment of the land plot (including the term for the implementation of state registration in relation to the provided land plot, the term and other conditions for the occupation of the land plot).

Foreign legal entities can use land plots only on a lease basis.

6.7.3. Buildings and constructions

The classification of buildings and constructions in the Republic of Belarus is established in STB 2331-2015 "Buildings and constructions. Classification. Basic Provisions". The main document in the field of construction activities is the Law of the Republic of Belarus dated 05.07.2004 No. 300-3 "On architectural, urban planning and construction activities in the Republic of Belarus".

There are two categories of buildings with different legal status - residential and non-residential.

Buildings and constructions can belong to foreign legal entities and individuals.

Rental rates for government buildings should be set in accordance with the rules established by Presidential Edict and calculated in terms of the base rental amount. The size of the base rental amount is set annually by the Council of Ministers of the Republic of Belarus as of April 1, taking into account the change in the consumer price index for the previous year in relation to the previous one. Taking into account the moratorium introduced by the President of the Republic of Belarus and its subsequent extension, the base rental amount in 2021 remains at the level of 16.90 rubles. (about 6.5 euros) until March 31, 2022.

Local executive committees have the pre-emptive right to acquire certain buildings and other real estate objects located within their jurisdiction. The list of these real estate objects is established annually by local authorities. In practice, this right is rarely used.

However, sales and purchase agreements can be registered in the Register of Real Estate, and ownership is transferred to the buyer only after the local executive committee has made a decision to refuse to purchase this property.

Legal entities also have a preemptive right to acquire state property (except for land plots) when leasing it for a period of at least 3 years with payment in installments for 5 years. In this case, the alienation of the property must be initiated by the state body that owns the leased property.

6.7.4. Mortgage

According to Belarusian legislation, a mortgage is a pledge of real estate (land plots, capital structures (buildings, constructions), etc.) and other property equated by legislative acts to immovable things.

A mortgage can arise from an agreement (mortgage by virtue of a contract) or on the basis of a legislative act upon the occurrence of the circumstances specified in it, if the legislative act provides for which property and for which obligation is recognized as being in the mortgage (mortgage by virtue of the law).

A mortgage can secure obligations under credit agreements, loan agreements, purchase and sale, lease, constructions contracts and other agreements, as well as from causing harm, unless otherwise provided by legislative acts.

The subject of a mortgage can be real estate and other property equated by legislative acts to immovable things, including which will go to the mortgagor in the future and which at the time of the conclusion of the mortgage agreement is not considered created in accordance with the law (for example, an apartment under construction).

When an enterprise is mortgaged as a property complex, the right of pledge applies to all property that is part of the property complex, including the right to claim and exclusive rights, including those acquired during the period of the mortgage, unless otherwise provided by legislative acts or the mortgage agreement.

Mortgage of land plots and other property is allowed only insofar as their turnover is permitted by legislative acts.

Acting as pledgors of land plots and pledgees of lease rights (subject to payment for the right to conclude a lease agreement) on land plots may be:

- banks that have a special permit (license) to carry out banking activities in terms of carrying out a banking operation to place attracted funds on their own behalf and at their own expense on terms of repayment, payment and maturity;
- OJSC “Agency for Asset Management”, OJSC “Development Bank of the Republic of Belarus”, if interest on a mortgage loan was transferred to the listed organizations;
- IFC, EBRD and Eurasian Development Bank, if the pledge of the land plot (pledge of the right to lease the land plot) ensures the repayment of the loan to the Belarusian resident;
- Development Bank of China, Export-Import Bank of China, IFC, EBRD, Eurasian Development Bank in relation to land plots located in the Great Stone Industrial Park, if the pledge of the land plot (pledge of the right to lease the land plot) ensures the return of the loan to CJSC “Company for the development of an industrial park” or its residents.

The mortgage of buildings, as well as isolated premises located on their own land plot, is allowed only with a simultaneous mortgage of the land plot (share in the land plot). If a building or premises is located on a leased land plot, a mortgage is allowed with a simultaneous mortgage of the lease right to the corresponding land plot. If the payment has not been made, the building or isolated premises cannot be mortgaged without a simultaneous pledge of the right to lease land plots.

Consequently, buildings or isolated premises located on their own or leased land (provided that payment was made for the right to conclude a lease agreement) can only ensure the repayment of bank loan agreements and loan agreements with the IFC, EBRD, Eurasian Development Bank, as well as Development Bank of China and Export-Import Bank of China (for land plots located in the Great Stone Park).

The cost of the property that is the subject of the mortgage is determined by the parties when concluding the contract, unless otherwise provided by legislative acts. At the same time, the cost of a land plot that is the subject of a mortgage cannot be lower than the cadastral value of this land plot, and the cost of capital structures (buildings, constructions) located on the land plot or unfinished frozen capital structures that are the subject of a mortgage cannot be lower than their value, determined by the market method, unless otherwise established by the President of the Republic of Belarus.

The mortgage secures claims in the amount that these claims have at the time of satisfaction, including the amount of the main obligation, as well as, unless otherwise provided by the contract, interest, forfeit, claims for damages caused by non-performance or improper performance, expenses on payment of the pledgor's debt on payments to the budget and (or) other compulsory payments related to property that is the subject of a mortgage (if the mortgagee, in accordance with the terms of the mortgage agreement or by necessity, bears such expenses), costs of foreclosure on property that is the subject of a mortgage, including the cost of selling this property when foreclosure is made on it. Mortgage of real estate (both an agreement and the transfer of rights or its termination) requires state registration in the Register of Real Estate.



6.8 PROTECTION OF INTELLECTUAL PROPERTY



In addition to national laws in the sphere of intellectual property protection, Belarus is a party to certain international, regional and bilateral treaties in this field. Belarus also closely cooperates with international and regional bodies with the mandate in intellectual property protection, including the World Intellectual Property Organization (WIPO), the European Patent Office and the Eurasian Patent Organization.

National patent office in Belarus is the National Center of Intellectual Property (NCIP). The NCIP is responsible for national registration of objects of intellectual property (IP), contracts of assignment of exclusive rights to IP objects and license agreements. Official website of the NCIP (ncip.by) publishes and regularly updates databases of registered IP objects.

6.8.1. Objects of intellectual property

Belarusian legislation provides for the following categories of IP objects:

- copyright objects (works of science, literature and art) and objects of related rights (performances, phonograms and broadcasts)

There are no registration procedures required for creation and execution of copyrights and related rights. These rights arise from the very moment of creation of respective IP objects.

Computer programs, however, can be registered in the NCIP, if a right holder wants to receive additional evidence of rights and their characteristics in case of any disputes with third parties.

The second large category includes objects of industrial property rights:

- inventions, utility models, industrial designs
- Rights to inventions, utility models and industrial designs shall be protected in case a related patent is received. It is also possible to submit an international invention application to the NCIP in accordance with the Patent Cooperation Treaty (PCT) and a Eurasian application to the Eurasian Patent Organization (EAPO).
- trademarks and service marks

Protection of trademarks becomes enforceable in Belarus after national registration at the NCIP or after international registration at the WIPO.

Besides, in 2020 member states of the EAEU signed the Agreement on trademarks, service marks and appellations of origin of goods of the Eurasian Economic Union. Currently, the EAEU is elaborating a unified registration for trademark registration.

- plant varieties

Rights to plant varieties are protected with a patent. Plant variety is registered simultaneously with its title, and an applicant is provided with a plant breeder's certificate.

- trade name

Exclusive rights to trade names arise and get protection from the moment of state registration of respective companies.

- topology of integrated circuits

To receive legal protection, a topology shall pass registration at the NCIP. Registration is confirmed with a certificate specifying an author, a priority of the topology and exclusive rights thereof.

- geographical indications

Legal protection of geographical indications is based on registration at the NCIP. Rights to use it can be provided to some entities separately of jointly.

- Know-how

There are no registration requirements for protection of know-how. Know-how is protected under the commercial secrecy regime.

This regime is established by specification of information to be protected and limitations and restrictions for operating this information. These restrictions shall be provided, inter alia, in job descriptions, employment agreements with employees and records of persons getting access to the commercial secrecy.

6.8.2. Registration of agreements relating to IP objects

License agreements, assignment agreements, security agreements in respect of property rights, franchise agreements and other agreements relating to IP objects, as a rule, shall be registered at the NCIP and enter into force only from the date of their registration. The same requirement applies to amendments and termination of the agreements.

6.8.3. Protection from unlawful import and export

As a preventive measure for “grey” or parallel import of goods, a right holder of a trademark registered in the Republic of Belarus can include the trademark into the Customs Registry of IP Objects maintained by the State Customs Committee of the Republic of Belarus.

Should customs authorities detect during customs procedures that an unauthorized person attempts to import or export goods marked with the trademark included into the registry, they shall stop the customs clearance and inform the right holder. The trademark holder is entitled to apply to the State Customs Committee, a court or other state authorities for protection of their rights.

6.9 EMPLOYMENT SPECIFICS



In the beginning of 2020, the employment legislation of the Republic of Belarus faced significant changes.

6.9.1 Employment agreement

Employment relations must be formalized in writing no later than the day following the day of actual admission to work.

Technically, employment agreements can be roughly divided into fixed-term (to the limit of five years) and open-end agreements.

An employment contract, a type of fixed-term employment agreement concluded for a period of one to five years, has been enduringly popular.

The conditions for the extension of employment relations and entering new contracts upon the expiry of a maximum five-year period have been updated. Currently employment extension with an employee ensuring no disciplinary violations shall be executed up to the maximum five-years’ term, and the conclusion of a new contract upon expiry of the maximum five-years’ term shall be executed for at least three years (shorter periods are eligible subject to employee’s consent).

Here are the main features of the contractual form of employment:

- it is susceptible to any kind of work (other types of fixed-term agreements are dependent on working conditions or nature of the work);
- early termination of employment is permitted either by agreement of the parties, or on the grounds provided for by the Labor Code of the Republic of Belarus (employee working under an open-term agreement has the right to notify employer on the employment termination upon one-months’ prior notice without being required to assign any reason);
- employees are granted such additional guarantees as vacations and material incentives, as well as the grounds for deprivation of thereof;
- employees are subject to the performance appraisal at least once every three years.

6.9.2 Employment termination

The law defines an exhaustive list of grounds for employment termination, its extension is forbidden.

6.9.3 Confidentiality and competition

The employer may demand the employee for signing a confidentiality undertaking in case the performance of obligations by such employee requires access to confidential information. The refusal from signing a confidentiality undertaking is the standalone grounds for employment termination.

It is of importance the employer indicatively establishes the trade secret mode, what provides for indication of the information subject to protection, access arrangement and other aspects as stipulated by the law.

Once the trade secret mode is established and the undertaking is signed, the employer is granted a right to compensate for losses, including the lost profits, in the event of disclosure of confidential information.

Non-competition agreement is a popular and widespread instrument abroad. Meantime, the Belarusian law allows entering such agreements with HTP residents solely.

The non-competition agreement calls for monthly payments made to the employee upon employment termination in the amount of no less than one third of the average monthly earnings over the past year, and the maximum validity period shall not exceed one year post termination.

6.9.4 Employment of the Director

Employment relations with the director, a sole executive body of the legal entity, have own special features and are based both on the employment agreement and on the company charter.

Prohibition on performing other activities (except for teaching, scientific work, art, and medical practice) is established for directors of state-owned companies and companies with a state share in the equity state not less than fifty per cent.

Directors of companies of all forms of ownership may not enter controlling and supervisory bodies of such companies.

The director bears full material liability for the actual damage caused to company's property.

There are additional grounds for termination of employment relations with the director:

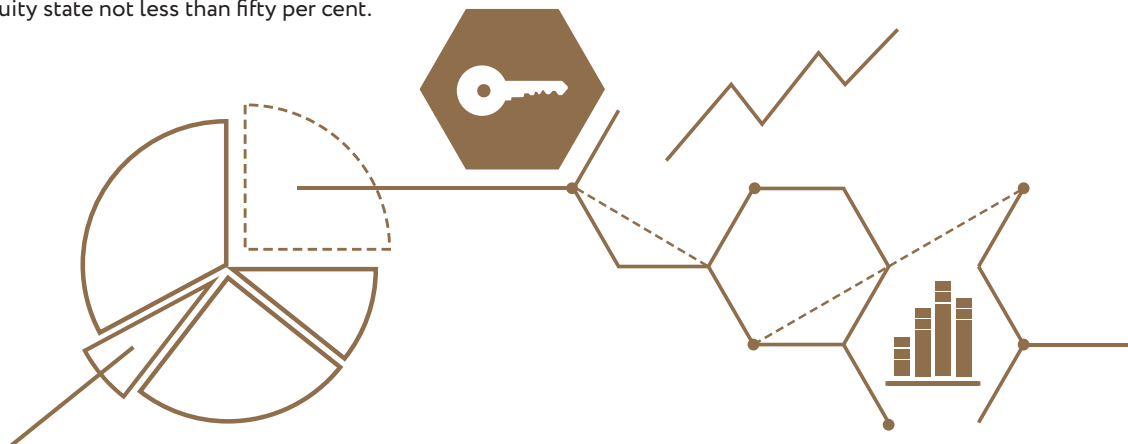
- insolvency proceedings against the company;
- decision of the authorized body (property owner) to terminate employment relations (early termination is admissible in case director's employment agreement contains the amount of compensation for such termination and in case the decision is not contingent on violation of the law or the employment agreement by the director).

Please see subparagraph 6.2.2 (2) above for additional information on employment of the director.

6.9.5 Remote work

Introduction of remote work was amongst the most anticipated employment novelties.

From now on employee can perform duties from anywhere at own choice outside of the company's seat (but within the territory of the Republic of Belarus). Work is based on application of information and communication technologies, and the employee's personal presence is required twice: when hiring and at signing of the dismissal order.



6.9.6 Other forms

The company can involve contractors without their inclusion into the staffing table via conclusion of civil law contracts.

The contractor can render services, perform works or create intellectual property objects both at the company's seat (subject to insurance payment), and in another place at their choice.

The company shall ensure compliance with the labor protection requirements, payment of social insurance contributions, calculation, withholding and payment of income tax.

6.10 DISPUTE RESOLUTION

The judicial system of Belarus consists of the Constitutional Court, exercising judicial control over the constitutionality of legislation, and the system of courts of general jurisdiction, which consider civil, economic, criminal, and administrative cases. The system of courts of general jurisdiction is organized on the principles of territoriality and specialization and is headed by the Supreme Court. It includes the economic courts of the regions and the city of Minsk, which resolve commercial disputes.

The amount of the court fee depends on the nature of the claim and its size. In case of applying to the court of first instance for resolving a commercial dispute of a property nature, a regressive scale of fee is used starting from 5% of claim value (but not less than 25 base units or about 230 euros) and ending with 1%. The procedural period within which the court of first instance must consider a commercial dispute is about 3 months after the court receives the claim. If a foreign person is involved or the case is particularly complex, the period may be longer.

A unified system of authorities for the enforcement of court orders and other executive documents is presented by the main enforcement department of the Ministry of Justice, as well as by territorial bodies. Enforcement functions are carried out by bailiffs, whose lawful requirements should be complied with throughout the territory of Belarus.

In 2020, an automated information system for the fulfilment of monetary obligations (AIS IDO) began to operate, which significantly accelerated and simplified the process of debt collection.

After sending a request to the system through the claimant's servicing bank, AIS IDO collects data regarding the debtor's funds on all accounts or electronic wallets. If funds are available (including in another currency), they are booked and, taking into account the established sequence of payments, are debited from the debtor's account or electronic wallet. Operations are performed within a few tens of minutes.

Settlement of disputes involving foreign persons may be carried out by a foreign court. However, some categories of disputes are attributed to the exclusive competence of Belarusian courts, in particular:

- disputes, which subject is real estate located on the territory of Belarus;
- disputes about economic insolvency (bankruptcy) of legal entities located in Belarus;
- disputes related to the establishment, registration or liquidation of legal entities on the territory of Belarus, as well as appeals against decisions of their bodies;
- disputes arising from administrative procedures.

Enforcement of foreign court decisions in Belarus is possible on the basis of multilateral or bilateral international treaties, and in the absence of such, based on reciprocity, i.e., due to the enforcement of decisions of Belarusian courts in a foreign state (the presence of reciprocity is presumed by Belarusian courts). Today, international agreements between Belarus and the following countries are in force in the relevant field: Armenia, Azerbaijan, Bulgaria, China, Cuba, Cyprus, Czech Republic, Egypt, Georgia, Hungary, Iran, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Pakistan, Poland, Russia, Serbia, Slovakia, Syria, Tajikistan, Turkmenistan, Turkey, Ukraine, Uzbekistan, Vietnam.

In this regard, the Russian Federation should be highlighted as the judicial acts of Russian courts on commercial disputes, in essence, are equated with acts of Belarusian courts (and vice versa) and do not need a special recognition procedure.

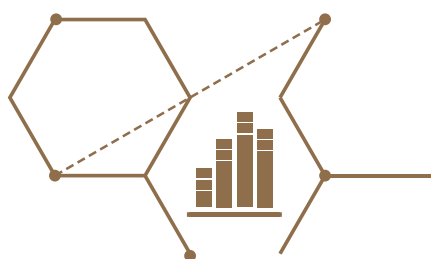
It is also possible for the parties to choose arbitration as a mean for dispute resolution. There are two permanent international arbitration courts in Belarus. These are the International Arbitration Court at the BelCCI and the International Arbitration Court "Chamber of Arbitrators at the Union of Lawyers" (in 2020 the latter approved a new regulation based on the UNCITRAL Arbitration Rules). Besides, there are about 30 permanent arbitration courts that are not international.

Belarusian legislation on international commercial arbitration is based on the UNCITRAL Model Law of 1985. Disputes of an economic nature with participation of foreign persons, as well as between Belarusian companies, may be submitted to international arbitration courts if this is not prohibited by law (for instance, it is prohibited to submit bankruptcy cases to arbitration). An award made by an international arbitration court with a seat in Belarus may be set aside in a state court only on a limited number of formal grounds and cannot be reviewed on the merits.

Belarus is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, as well as the European Convention on International Commercial Arbitration of 1961.

Another alternative way to settle a dispute is mediation. In Belarus, mediation may be used to resolve disputes in the field of civil, economic, labour and family law before the initiation of a case in court and after. Mediators act based on the principles of confidentiality, impartiality and independence. They must comply with the rules of ethics approved by the Ministry of Justice. In case of non-fulfilment of the mediation agreement voluntarily, the party has the right to apply to the court for the issuance of a writ of execution for compulsory enforcement.

In 2021, Belarus ratified the Singapore Convention on International Settlement Agreements Resulting from Mediation, which establishes the possibility of enforcement of international mediation agreements concluded to settle commercial disputes, as well as a limited list of formal grounds for refusal of enforcement. The national mediation law and the procedural code have been amended to stipulate the procedure of enforcement of such mediation agreements.



7. TAXES



7.1 PROFIT TAX

Category of profit taxpayers includes organizations.

Foreign organizations can be obliged to pay profit tax only relating to their business activities in the Republic of Belarus or in respect of revenue from sources in Belarus and property located in this state.

Standard tax rate of profit tax is 18%.

Decreased rate is 12% (for dividends). Preferential rate of 5% applies to profit of organizations received from sale of goods of own production included in the list of high-tech goods.

Banks, insurance, forex companies and microfinance organizations pay profit tax at the rate of 25%.

With respect to dividends, Belarusian shareholders of Belarus-based organizations are entitled to use a decreased tax rate of 6% in case profit has not been distributed for the last 3 years; the rate of 0% applies in case the profit has not been distributed for the last 5 years.

Starting from 2021, cellular mobile telecommunications operators shall be obliged to pay profit tax at the rate of 30%.

7.2 WITHHOLDING TAX

Category of withholding taxpayers includes foreign organizations receiving revenue from sources in the Republic of Belarus if they do not have a permanent establishment for tax purposes in Belarus.

Legislation provides the following withholding tax rates:

5% for dividends received from residents of the High Technologies Park. In respect of certain categories of income, law provides full exemption from withholding tax, for instance, for provision of certain services to residents of the High Technologies Park: data processing services, data entry services, advertising services, intermediary services, etc.

6% from revenue generated by Belarus-based investment funds for the first 3 calendar years starting from the first calendar year when the investment fund becomes profitable;

6% for international transportation, forwarding and freight charges;

10% for debt obligations of different kind;

12% for dividends and revenue from alienation of shares in Belarus-based companies;

15% for other types of income as provided in the Tax Code.

Double taxation agreements (DTA) usually provide full exemption from withholding tax (most often this concerns ordinary business activities) or partial decrease of tax rates depending on a type of income (royalty, income from real estate, dividends, etc.). To apply a respective DTA, a non-resident shall provide their Belarusian counterparty with a valid tax residency certificate issued by a competent foreign authority.

In certain cases, in order to use a decreased tax rate, a non-resident shall prove to a local tax inspection that a beneficiary is an actual owner of the income rather than has only intermediary functions for transmitting money to third parties.

Withholding tax in Belarus is usually withheld by legal entities, individual entrepreneurs and private persons (for specific types of income) accruing and (or) paying money to a foreign entity. These tax agents shall withhold due tax amounts from sums to be paid to non-residents.

7.3 INCOME TAX

Belarusian and foreign citizens as well as stateless persons can be taxpayers of income tax. To specify whether an income tax obligation applies or not, a criterium of tax residency is important. As a general rule, a person being in the Republic of Belarus more than 183 days a calendar year shall be classified as a tax resident. Tax residents shall pay income tax in relation to sources of income in the Republic of Belarus and sources outside the state.

Tax non-residents shall pay income tax only for incomes from sources in the Republic of Belarus. Standard tax rate of income tax is 13% (including dividends).

Rate of 16% applies to incomes of individual entrepreneurs, notaries and attorneys.

The tax rate of 16% also applies to situations when a tax inspection reveals undeclared incomes and (or) a manifest excess of expenses over income of a private person.

The rate of 4% applies to some gambling winnings received from legal entities of Belarus.

Shareholders of Belarus-based companies – private persons are entitled to use a decreased tax rate of 6% in case there have been no decisions on profit distribution for the last 3 calendar years; 0% if there have been no decisions on profit distribution for the last 5 calendar years. This exemption is designed only for shareholders – Belarusian tax residents.

In relation to incomes from lease (sublease) of residential and non-residential premises, parking spaces on the territory of the Republic of Belarus, income tax is set at fixed rates in accordance with the Annex No.2 to the Tax Code.

7.4 CONTRIBUTIONS TO THE SOCIAL SECURITY FUND

Mandatory insurance contributions include pension and social insurance contributions. Payers of these contributions are the following categories: employers (including representative offices of foreign companies), employed individuals and some other entities and persons.

Taxed objects for these contributions are salaries and other payments in any form, including bonuses and remunerations under contractor agreements.

As a general rule, obligatory insurance contributions at the rate of 34% (including 28% for obligatory pension insurance contributions and 6% for social insurance ones) are paid by employers and 1% by employees. In most cases, obligatory contributions are withheld by employers or other paying entities while making payments to an individual.



7.5 VALUE ADDED TAX (VAT)

VAT taxed objects are divided into two main categories. The first category includes import of goods to the customs territory of the EAEU, and in this case importers of respective goods shall be taxpayers. The second category includes sales of goods (works, services) and property rights in the territory of the Republic of Belarus. In this case VAT shall be paid by entities acting as sellers.

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

0% – for exported goods;
10% – in the sphere of plant production and agricultural production;
25% – for telecommunication services (services of Internet providers and mobile communication providers).

There is a single registration in a tax department for all types of taxes in Belarus, so there is no need in separate registration for VAT purposes. The only exception concerns foreign organizations rendering services in electronic form to individuals in the territory of the Republic of Belarus and, as a result, having VAT obligations.

Electronic VAT Invoice (E-VAT) is a basic document for all VAT payers. E-VAT is used to calculate and allocate VAT among sellers and buyers, as well as to take input VAT for deduction. E-document management of E-VAT is carried out by using a special web portal of electronic invoices (vat.gov.by),

being an information resource of the Ministry of Taxes and Duties of the Republic of Belarus. At the same time, E-VAT is not a primary accounting document.

Creation of E-VAT is not required in the following cases:

- an object to be sold shall not be subject to VAT payment and shall not be indicated in a tax declaration;
- specific bank operations;
- insurance services;
- sale of goods, services (works) exempted from VAT or sale of ownership rights to foreign companies those are not registered by Belarusian tax authorities;
- goods are imported to Belarus under commission contracts or other agency agreements;
- rendering services in electronic form by a foreign company to individuals.

7.6 REAL ESTATE TAX

In general, payers of real estate tax are property owners or those entities and individuals having economic management or operating management rights over real estate.

The standard real estate tax rate for organizations and individual entrepreneurs is 1% in relation to buildings and other constructions. Local state executive bodies are entitled to increase or decrease real estate tax rates for certain categories of taxpayers, but no more than twice. The respective increasing (decreasing) coefficients are available at the website of the Ministry of Taxes and Duties of the Republic of Belarus.

There are some exemptions from this tax for organizations constructing real estate at their own expense. Also reduced tax rates are applied to buildings, constructed after 01.01.2019 – 0.2%, 0.4%, 0.6%, 0.8% from the second to the fifth years from their commissioning. The tax rate for individuals (including individual entrepreneurs) is 0.1% and 0.2%.

Tax payers of land tax are organizations having the right of permanent or temporary use to land plots or in private ownership, as well as individuals having the right of temporary use to land plots in the territory of the Republic of Belarus, in private ownership, or under lifetime inheritable possession. The category of taxpayers also includes individuals who have inherited land plots.

The rate of land tax depends on the cadastral value of the land plot and varies from 0,025% to 3% depending on the functional purpose of the land plot.

7.7 OFFSHORE DUTY

Offshore duty is an additional tax duty which applies when a resident makes payments to a non-resident registered in one of offshore zones – states and regions with extremely favorable tax regimes. Offshore duty also takes place in case a non-resident is not registered in an offshore zone, but money is transmitted to their bank account in an offshore zone.

The list of offshore zones is established by the Edict of the Republic of Belarus No.353 dated 25.05.2006 “On Approval of the List of Offshore Zones”.

The rate of the offshore duty is 15% of transferred sums.

Actual transfer of money is not the only category taxed with the offshore duty. Taxable objects also include:

- non-monetary execution of obligations except for cases when a non-resident performs a counter obligation by transferring money to a resident's account;
- assignment of property rights and (or) obligations in connection to substitution of parties in an obligation where one of the parties is a non-resident.

7.8 ENVIRONMENT TAX



AND NATURAL RESOURCES EXTRACTION TAX

Environmental tax obligations depend on the volume of production waste, emitted pollution to atmosphere during production, waste water pollution, and the hazard class of the relevant emissions or waste.

Natural resources extraction corresponds to a type of natural resources (ore, sand, clay, salt) and a volume of extraction. With regard to oil, the tax rate depends on an average price level on world markets for the last tax period.

7.9 DOUBLE TAXATION TREATIES

As of January 1, 2021, Belarus has double taxation treaties with the following 70 states:

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







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NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

REPUBLIC OF BELARUS

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- ▶ provision of up-to-date information about investment projects
- ▶ assistance in selection of sites and premises
- ▶ search for prospective partners for investment projects, arranging meetings and negotiations for establishing cooperation
- ▶ providing a platform for negotiations and support during negotiations
- ▶ organization of visits to the Republic of Belarus (schedule development, visa support)
- ▶ representation of investor's interests during negotiations with governmental representatives concerning implementation of investment projects, as well as improvement of investment climate in the Republic of Belarus
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