

# Direct path for investments



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primarily, opening up a new market of state loans — the market of Eurobonds. 2010 saw the first successful placement of state bonds on the international financial market, enabling us to attract \$1bn of investment resources into the country.

Moreover, the sovereign rating is an important indicator for foreign investors, enabling them to assess risk. Unlike most states from our region, we've managed to preserve our credit ratings, regardless of the global financial crisis; this sends a positive signal, stimulating the interest of investors.

**What has Belarus done to develop its corporate securities market?**

The state policy regarding the corporate security market aims to create conditions to make corporate securities attractive to organisations. In this situation, organisations activate the process of independent attraction of investments. Measures are also being taken to promote the growth of corporate securities currently in circulation.

With this aim, a 2008-2010 corporate securities market development programme was approved by the Council of Ministers and the National Bank of Belarus and has been implemented since 2008. A range of measures has already been realised.

The special right of the state ('golden share') to take part in managing legal entities has been abolished, while the share of the state in capital stock has been optimised via planned privatisation. Investors can learn about state enterprises subject to privatisation three years in advance. Restrictions are being gradually removed, allowing shares to be bought in open joint stock companies created via denationalisation and privatisation.

Administrative procedures relating to state registration of securities are being simplified. For example, banks are now able to issue bonds worth up to 80 percent of their regulatory capital without ensuring performance of obligations, while joint stock companies can issue bonds equal in amount to their statutory funds. New instruments have been introduced: mortgage bonds (documentary and non-documentary), as well as exchange-traded notes, whose placement and circulation is performed exclusively on the stock exchange market without state registration of security issue.

Taxation has also been significantly simplified. Profit tax from share transactions stands at 24 percent (down from 40 percent previously)

while profit tax rate on dividends received by individuals stands at 12 percent, as does that on legal entities' dividends and share sales of Belarusian issuers (down from 15 and 24 percent respectively). Moreover, income on corporate security transactions issued from April 1st, 2008, to January 1st, 2013, are exempt from taxation.

The development of the corporate securities market is proven by major quantitative indicators. The registered issue of legal entities' securities rose in volume 16.4 times in 2009 and rose 14.9 times again in the first nine months of this year. The volume of

privatisation, from 1991 to December 31st, 2009, 4,555 state enterprises have been reformed: 54.6 percent of the total. Meanwhile, 1.2m employees work at reformed enterprises. In 2008, a new stage in the country's privatisation began, with major efforts undertaken of a planned character, preserving vital principles.

In line with a three year privatisation plan, developed and approved by the Government, from 2008-2010, over 700 state enterprises were planned for transformation into joint stock companies in various branches of the economy: industry, trans-

— worth over \$1.3bn — were performed: shares were sold in Beltransgas open joint stock company, in BeST closed joint stock company and in BPS-Bank open joint stock company.

We aim to drive forward the privatisation process, with the Belarusian Government forming a new privatisation plan for 2011-2013; shares in over 300 companies are to be made available. Moreover, legislative conditions for investing via privatisation are being improved.

Businesses and individuals from Belarus and abroad now enjoy equal conditions of investment via privatisation,

worldwide. A shared vision of development strategy is also vital, since foreign investors' aims should correspond to the multi-vector foreign economic policy being pursued by our state, promoting the establishment of long-term external relations.

Other criteria reflect the particulars of each project: the construction of a coal condensation power plant requires access to resources while automobile crane production at Minsk's Automobile Works requires access to sales markets.

**Which are most beneficial spheres in Belarus to invest foreign capital?**

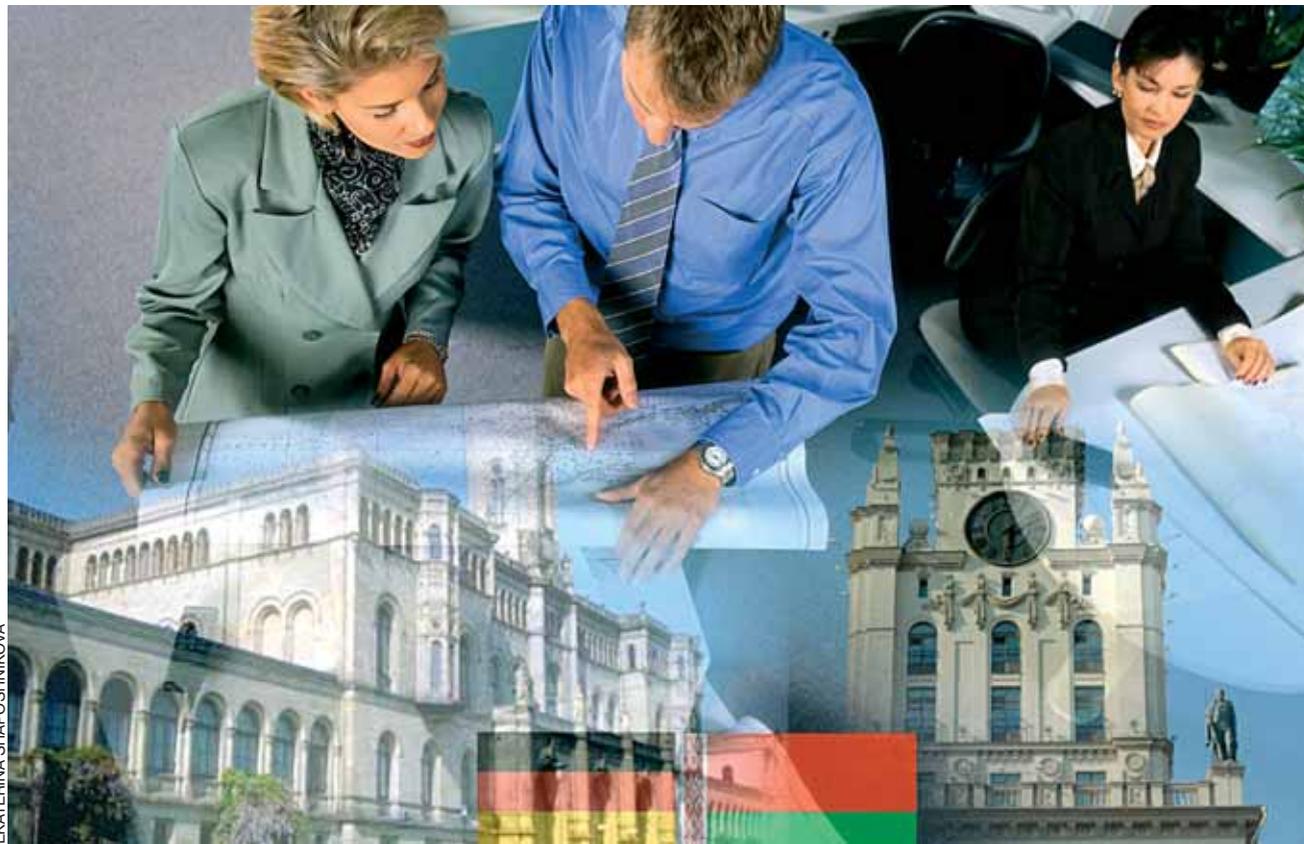
keen to develop the hotel business, with the forthcoming 2014 IIHF World Championship in mind — and active development of tourism in Belarus. Ecotourism and agrotourism are part of our national flavour. TravelMail — a British tourist website — listed Belarus among the top 10 destinations for tourism in 2009.

Housing construction remains a priority of socio-economic development, with intense modernisation of the construction branch a target. We need to create a construction industry capable of building 10m sq.m of housing annually: 15m sq.m by 2015. At the same time, we're tasking ourselves with erecting residential housing boasting the highest standards, improving each site and ensuring a low level of energy consumption. Since January 1st, 2010, Belarus has been shifting towards European construction standards; it's one of the most important steps in our integration into the European system and should allow us to remove technical barriers to foreign investors.

Great opportunities are open in the food and processing industries, as well as in agriculture. Belarus is a CIS leader in the manufacture of meat and dairy produce per capita, making this branch a very promising area for development. The creation of joint enterprises in Belarus is a serious area for investment collaboration. Co-operation in power engineering and energy saving is also arousing great interest, with a programme to enhance energy security adopted in our country. This envisages the realisation of a range of events, including the construction of large and small energy facilities. We're ready for concrete dialogue relating to co-operation in applying alternative energy sources: wind, bio-gas, geothermal water and river power.

We're also interested in benefiting from foreign experience regarding metallurgy, petro-chemistry, forest management and wood processing. Joint manufactures on the premises of Belarusian companies boasting traditional wide ties within the CIS, as well as newly set up export-oriented manufacturing facilities in our country, offer access to up to 180m people within the newly established Customs Union of Belarus, Russia and Kazakhstan.

**The formation of the Customs Union has provoked sincere interest among western businessmen. How would you characterise new opportunities within this Union?**



Foreign Investment Advisory Council operates within Belarusian Government and includes German entrepreneurs

the secondary market of shares and securities of legal entities comprises 2.1 percent of GDP (against 0.9 percent in 2008). The total amount of share and bond purchase and sale transactions on the primary and secondary markets exceeded 7.1 percent of GDP from January-September 2010.

Positive changes on the republic's securities market have also been noted by WB and IMF experts in their joint Financial Sector Assessment Programme.

**At what rate is privatisation taking place in Belarus? Which large state enterprises are included on the privatisation list?**

The reform of state property and privatisation of state assets in Belarus is being performed as part of our strategy of economic reform. Privatisation in our republic aims to enhance the efficiency of Belarusian enterprises, ensuring maximum returns on production potential. Privatisation should also stimulate investment activity and contribute to national and local budgets.

Over the entire period of

port, agriculture, trade and construction.

Over 300 open joint stock companies have been set up in the country over the past two years. These include the largest industrial giants, such as Minsk's Automobile Works, the Belarusian Automobile Works (manufacturing heavy-duty dump trucks) and Minsk's BelOMO Association (manufacturing optical systems). This year, Belaruskali open joint stock company was established (producing potash fertilisers), with reformation of other state enterprises being completed — primarily involved in industry, petro-chemistry, construction and transport.

**Is Belarus ready to sell shares in open joint stock companies owned by the state?**

The transformation of state enterprises relies on the sale of shares. From 2008-2010, over 150 open joint stock companies in Belarus planned to sell shares. Unfortunately, the crisis affected privatisation, with few shares sold (within the period of the three year privatisation plan). Only 14 transactions

with shares sold via open auction. These might have only one buyer present, but their offer will be accepted if their proposal is appropriate. Of course, the shares are otherwise sold to the investor offering the most beneficial proposal.

Belarus is clearly doing all it can to enhance its investment attractiveness while creating conditions for attracting direct foreign investments.

**Which criteria are being used to select foreign partners for Belarus?**

Belarus is especially keen to implement large investment projects, considerably influencing the republic's economy, as well as projects, require significant funds and involving long-term collaboration with foreign investors. As interest grows in our country from abroad, we're hoping to inspire business circles, choosing worthy partners for joint ventures in Belarus.

We're primarily giving priority to foreign partners with stable reputations, who boast sustainable dynamics, developed partnership relations and a positive image