REPUBLIC OF BELARUS

U.S.$600,000,000 8.75 per cent. Notes due 2015

Issue price: 99.011 per cent.

The U.S.$600,000,000 8.75 per cent. Notes due 2015 (the "**Notes**") are issued by the Republic of Belarus (the "**Issuer**" or "**Belarus**").

Interest will be payable semi-annually in arrear on 3 February and 3 August of each year from and including 3 August 2010 at the rate of 8.75 per cent. per annum. Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 3 August 2015. Payments on the Notes will be made in U.S. dollars without deduction for or on account of taxes imposed by the Issuer to the extent described under "*Conditions of the Notes*".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 (the "**Luxembourg Act**") on prospectuses for securities to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market.

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 1.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States or other jurisdiction. The Notes may not be offered, sold, pledged or otherwise transferred directly or indirectly within the U.S. or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Rule 903 or Rule 904 of Regulation S. For a summary of certain restrictions on resale, see "*Subscription and Sale*".

The Notes will be rated B1 by Moody's Investors Service, Inc. and B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will be in bearer form in denomination of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000. No Notes in definitive form will be issued with a denomination above U.S.$199,000. The Notes will initially be represented by a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or about 3 August 2010 (the "**Closing Date**") with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**"), without interest coupons, on or after 13 September 2010 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

Joint Lead Managers

BNP PARIBAS **Deutsche Bank**

The Royal Bank of Scotland **SBERBANK**

Co Manager

Belarusbank

The date of this Prospectus is 30 July 2010

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purposes of the Luxembourg Act.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Notes (including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes), that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility for the information in this Prospectus relating to its budgets for the years 2005 to 2009 (inclusive) and certifies that the information in this Prospectus relating thereto has been accurately extracted and properly translated from the official budgets for those years published by the Issuer. The Issuer accepts responsibility accordingly.

The Managers (as described under "*Subscription and Sale*", below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as at any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or its possessions or to U.S. persons. For a further description of certain restrictions on the offer and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Belarus, Japan, Italy and the Russian Federation. See "*Subscription and Sale*".

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS AS STABILISING MANAGER (THE STABILISING MANAGER) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

EXCHANGE RATE INFORMATION

In this Prospectus, all references to "**U.S. dollars**", "**USD**", "**U.S.$**" and "**$**" refer to the currency of the United States of America, to "**Belarusian ruble**" and "**Br**" refer to the currency of Belarus and to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. The Belarusian ruble was introduced as the official currency of Belarus in May 1992. On 1 January 2000, the Belarusian ruble was redenominated at a rate of 1,000 old rubles to one new ruble.

Translations of amounts from Belarusian rubles to U.S. dollars or euros are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that Belarusian rubles or U.S. dollar or euro amounts referred to herein could have been or could be converted into U.S. dollars or euros or Belarusian rubles, as the case may be, at any particular rate or at all.

The following table sets out average official exchange rates of the Belarusian ruble to the indicated currencies for the years from 2005 to 2009:

	2005	*2006*	*2007*	*2008*	*2009*
Exchange Rate			*(Br)*		
U.S. dollar	2,153.81	2,144.56	2,146.06	2,136.29	2,792.54
Euro	2,681.49	2,692.07	2,937.06	3,134.80	3,885.38

Source: National Bank of the Republic of Belarus

The foreign exchange rate of the National Bank of the Republic of Belarus (the "**National Bank**") for U.S. dollars and euros on 1 July 2010 was Br 3,020.0 = U.S.$1.00 and Br 3,690.7 = €1.00, respectively.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical fact included in this Prospectus regarding, among other things, Belarus's economy, fiscal condition, politics, debt or prospects may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "project", "intend", "estimate", "anticipate", "believe", "continue", "could", "should", "would" or the like. Although the Issuer believes that expectations reflected in its forward-looking statements are reasonable as at the date of this Prospectus, there can be no assurance that such expectations will prove to have been correct. The Issuer undertakes no obligation to update the forward-looking statements contained in this Prospectus or any other forward-looking statement it may make.

For the Issuer, in addition to the factors described in this Prospectus, including, but not limited to, those discussed under "*Risk Factors*", the following factors, among others, could cause future conditions to differ materially from those expressed in any forward-looking statements made herein: (i) adverse external factors, such as higher international interest rates, low commodity prices or recession or low growth in Belarus's trading partners or increases in world oil and gas prices, which could each decrease Belarus's fiscal and foreign exchange revenues and could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Belarus; (ii) adverse domestic factors, such as recession, declines in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Belarus and its trading partners, including Russia, the European Union and the United States; (iii) decisions of international financial institutions such as the International Monetary Fund (the "**IMF**"), the World Bank and the European Bank for Reconstruction and Development (the "**EBRD**") regarding their financial assistance to Belarus over the life of the Notes; and (iv) political factors in Belarus, which affect the timing and structure of economic reforms, the climate for FDI and the pace, scale and timing of privatisations.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks Relating to Belarus

Investment in emerging markets like Belarus involves a high degree of risk and investors should exercise particular care in evaluating the risks involved

Investments in securities of sovereign or corporate issuers in emerging markets, such as Belarus, involve a higher degree of risk than investments in securities of issuers in more developed markets. These higher risks include economic instability caused by a variety of factors such as a narrow export base, reliance on imports, fiscal and current account deficits, low currency reserves, reliance on foreign loans and investments and changing political, economic, social, legal and regulatory environments. Emerging economies, such as Belarus's economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. As a consequence, an investment in Belarus carries risks that are not typically associated with investing in more mature markets, including in some cases significant legal, economic and political risks. Prospective investors should also note that emerging economies such as Belarus's are subject to rapid change and that the information in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in the Notes.

Belarus's economy remains vulnerable to external shocks, including the current global economic crisis, oil price increases, banking sector exposure and shocks that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, all of which could have a material adverse effect on Belarus's economic growth

Belarus has recently experienced adverse economic and financial effects as a result of the global economic crisis. For example, the current account deficit increased by 21.7 per cent. from 8.7 per cent. of Belarus's gross domestic product ("**GDP**") in 2008 to 13.1 per cent. of GDP in 2009, total public debt as a percentage of GDP more than doubled from 12.9 per cent. in 2008 to 32.6 per cent. in 2009 and Belarus experienced a 26.8 per cent. decrease in foreign reserves from U.S.$4.2 billion in 2007 to U.S.$3.1 billion in 2008. Foreign reserves subsequently increased by 84.7 per cent. to U.S.$5.7 billion in 2009 as a result of the implementation of a stand-by programme with the IMF and financings from other international financial institutions. However, Belarus still experiences limited external liquidity. Other effects of the global economic crisis have included a decrease in industrial production, growth in inventories, increased inflation and pressure on foreign exchange rates for the Belarusian ruble. Decreased global demand has also caused difficulties in the export-oriented sectors of Belarus's economy.

Belarus's economy remains vulnerable to further external shocks, including the ongoing global economic crisis. A significant decline in the economic growth of any of Belarus's major trading partners, such as Russia and the EU member states, could, among other things, have a material adverse impact on Belarus's balance of trade and adversely affect Belarus's economic growth.

As a result of new oil supply arrangements reached with Russia in January 2010, the cost of Russian crude oil exported to Belarus will increase significantly, which may result in an increase in the current account deficit of up to U.S.$2 billion or 4 per cent. of 2009 GDP and an increase in the fiscal deficit if the offsetting measures planned by the government of Belarus (the "**Government**") do not achieve the intended results. See "*The Economy of the Republic of Belarus – Fuel and Energy – Oil*".

The Government also has significant potential exposure to the Belarus banking sector, which remains substantially State owned. See "*Monetary and Financial System*". If Belarus's economy were to suffer any further external shocks or if recovery from the ongoing global economic crisis is slower than expected, this could have a material adverse effect on Belarus's fiscal position and Belarus's economy as a whole, as well as limiting the measures that could be taken by the Government to stabilise Belarus's economy and the banking sector in particular.

Because international investors' reactions to the events occurring in one market sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Belarus could be adversely affected by negative economic or financial developments in neighbouring countries or countries with similar credit ratings (including, among others, Ukraine, Georgia and Serbia). Belarus has been adversely affected by such contagion effects on a number of occasions, including following the 1998 Russian financial crisis and the current global economic crisis. Similar developments can be expected to affect Belarus's economy in the future.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in markets such as Belarus. In addition, there can be no assurance that these events will not adversely affect Belarus's economy and its ability to raise capital in the external debt markets in the future. See "*Forward-Looking Statements*".

Political considerations may impede reform and political instability may result from both the implementation of reforms or any failure or delay in such implementation, all of which could have a negative effect on Belarus's economy

The President of Belarus (the "**President**") has a wide range of powers including the power to call elections, appoint the Prime Minister and Council of Ministers as the executive arms of the Government, make judicial appointments and appointments to local executive and administrative bodies and issue edicts, orders and decrees which have the force of law. The current President is not a member of any political party and no political party or other organised body currently has any significant representation in either chamber of the National Assembly as the representative and legislative body of Belarus. There is no limit on the number of terms for which the President can be elected.

The registered unemployment rate in Belarus has been relatively unaffected by the global economic crisis and was 0.9 per cent. of the economically active population in 2009. Social policy expenditure has also remained relatively constant and represented 29.2 per cent. of total expenditure under the Consolidated Budget of Belarus in 2009. Similarly, State subsidies (including utilities, unemployment subsidies and other subsidies) also represent a significant percentage of such expenditure and made up 19.0 per cent. of total expenditure in 2009 under the Consolidated Budget. While wage growth slowed in 2009 from that experienced in recent years the average nominal wage still increased by 13.1 per cent. as compared to 2008.

The public sector continues to account for the majority of economic activity and was responsible for approximately 60 per cent. of GDP in 2009. Large scale privatisations have been limited and there were no significant privatisations in 2005 or 2006. Privatisation receipts for each of 2007, 2008 and 2009 were Br 2,652.8 billion (approximately U.S.$1.2 billion), Br 2,149.8 billion (approximately U.S.$1 billion) and Br 2,550.5 billion (approximately U.S.$913 million) respectively. The majority of these amounts relate to the sale in 2007 of a 50 per cent. stake in Open Joint Stock Company Beltransgaz ("**Beltransgaz**"), the operator of the Belarusian gas transportation network, to Open Joint Stock Company Gazprom, the Russian gas monopoly, for U.S.$2.5 billion. The final instalment of this sale price was paid in early 2010.

The budgeted deficit for 2010 under the Consolidated Budget is Br 2,758.3 billion (approximately U.S.$916 million) and the estimated trade balance deficit (including goods and services) in 2010 is approximately U.S.$4.7 billion. In 2010 Belarus's economy will also need to absorb the increased cost of oil imports resulting from increased Russian export duties. The total outstanding external public debt of Belarus as at 31 December 2009 reached 16.5 per cent. of GDP from 6.3 per cent. in 2008.

Certain commentators have suggested that without structural reform and a reduction in the extent of direct State support within Belarus's economy the economic situation as outlined above may be unsustainable. Progress on such reforms to date has been slow and reforms of this nature are likely to be politically unpopular. The extent to which Belarus will be able to attract broad scale investment in the absence of significant political reform is uncertain. Further borrowing from the IMF, the International Bank for Reconstruction and Development (the "**IBRD**") and other international financial institutions may also be conditional on such reform.

Further delays or any failure in the implementation of reform policies favouring (i) privatisation, (ii) the reduction of direct State involvement in the economy and (iii) political reform or any political instability that may result from any significant increase in the unemployment rate or reduction in the current levels of social assistance and State subsidies could negatively affect Belarus's economy and Belarus's ability to repay principal and make payments of interest on the Notes and to raise capital in the external debt markets in the future. See "*Forward-Looking Statements*".

A deterioration in Belarus's relations with Russia could adversely affect the supply of energy resources to Belarus and Russian investment in Belarus and therefore have a negative effect on Belarus's economy

Belarus imports a significant percentage of its energy requirements from Russia and Russia is Belarus's most significant trading partner, responsible for 58.5 per cent. of imports and 31.5 per cent. of exports in 2009. Russia was also the source of 83.5 per cent. of FDI inflows for Belarus in 2009 and bilateral loans from Russia represented 36 per cent. of the total external public debt of Belarus as at 1 April 2010.

A number of oil and gas pipelines from Russia to EU member states run through Belarus, and a significant portion of Russian energy exports, in particular over 30 per cent. of Russia's oil and over 20 per cent. of its gas, are delivered through Belarus. Russia is constructing new oil and gas pipelines to diversify the transport routes for its oil and gas exports. See "*The Economy of the Republic of Belarus – Fuel and Energy*". Notwithstanding the construction of these new pipelines, no indication has been given by the Russian government that their construction would decrease the quantity of oil to be delivered to the EU through Belarus. However, there can be no assurance that this will not be the case.

Belarus and Russia have had a number of disagreements regarding the level of duty to be imposed on Russian crude oil exports to Belarus, which comprise a significant part of Belarus's energy resources and are important for Belarus's oil refinery industry. In 2009, Russia applied a 64.4 per cent. discount to its standard export duty on such exports to Belarus. As a result of an agreement reached in January 2010 Russia will now supply oil for domestic consumption in Belarus duty free but will apply the full duty on supplies for processing and subsequent export of oil products. Belarus questioned the applicability of export duty to exports of crude oil from Russia to Belarus taking into account provisions of a treaty establishing the Belarus-Russian customs union dated 6 January 1995, the Union Treaty and other bilateral agreements between Belarus and Russia and filed a claim in the Economic Court of the Commonwealth of Independent States. See "*The Economy of the Republic of Belarus – Fuel and Energy – Oil*". Belarus and Russia signed a natural gas supply contract in 2006, which resulted in the price of gas supplied by Russia to Belarus approximately doubling with effect from 1 July 2006, with further incremental increases until 2011 at which point it is intended that the price of gas will reflect European average prices. The higher cost of energy imports as a result of the change in Russian customs duty on Russian crude oil exports and increases in gas prices will have a negative impact on Belarus's balance of payments in 2010 as compared to 2009 and could make it more difficult for the Government to maintain macroeconomic stability. In June 2010, Belarus and Russia had a dispute regarding the timing of payments due from Belarus to Russia for gas supplied by Russia and from Russia to Belarus for the transit of Russian gas to the EU, which resulted in a disruption of gas flows to the EU. As at the date of this Prospectus, the transit of gas to the EU via Belarus has been resumed in full. However, there can be no assurance that a similar disruption will not occur in the future.

Notwithstanding a nationwide programme to find alternative crude oil and energy sources and to improve energy conservation, there can be no assurance that the actual and planned increases in the Russian duty on Russian crude oil exports and the price of Russian gas will not have a material adverse effect on Belarus's economy as a whole. If Belarus's relations with Russia were to deteriorate this could also have a material adverse effect on the economy of Belarus.

Belarus has complex relations with the European Union and the United States and any such points of tension could have a material adverse effect on Belarus's economy or political environment or the market value of the Notes

Belarus has complex relations with the European Union (the "**EU**") and the United States, each of which has raised human rights concerns and criticised the method in which certain elections in Belarus have been conducted. Belarus does not accept that these concerns are legitimate nor that the criticisms are justified. Based on these issues, both the EU and the United States have imposed travel restrictions on and implemented measures to freeze the funds and economic resources, and to block the property, of certain Belarusian officials, including the President. The EU has further stated that continued engagement with Belarus is conditional on progress being made by Belarus towards democracy and in respect of the human rights issues that have been identified.

Improving relations with the EU and the United States are among the foreign policy objectives of Belarus. Belarus aims to attract more foreign investment and to further integrate into the world economy. See "*The Republic of Belarus – International Relations*". No assurance, however, can be given that Belarus's foreign policy objectives will achieve their intended aims or that further restrictions will not be imposed by the EU or the United States in relation to these points of tension or that such frictions will not affect the political and economic environment in Belarus and the market value or liquidity of the Notes.

Official economic data may not be directly comparable with data produced by other sources

The statistical information contained in this Prospectus has, unless otherwise stated, been derived from official publications of the National Statistical Committee, the National Bank, the Ministry of Finance and from the Ministry of Foreign Affairs. Belarus has adhered, since December 2004, to the Special Data Dissemination Standard (SDDS) of the IMF. No assurance can be given that any such information, where it differs from that provided by other sources, is more accurate or reliable than that provided by such other sources. Certain statistical information for prior years has already been adjusted and may be subject to future adjustment. Similar statistics may be obtainable from other non official sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. In addition, such statistics or any commentary thereto may reflect the views of those commentators.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Judgments relating to assets in Belarus and Belarusian assets in other jurisdictions may be difficult to enforce

Belarus is a sovereign state. There is a risk that notwithstanding the limited waiver of sovereign immunity by Belarus in connection with the Notes, a claimant will not be able to enforce a court judgment against certain assets of Belarus in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Belarus having specifically consented to such enforcement at the time when the enforcement is sought. See "*Conditions of the Notes – Governing Law and Jurisdiction*". In addition, certain State-owned assets are statutorily exempt from court enforcement procedures in Belarus, including property of a military character and under the control of a military authority or defence agency and property located in Belarus and used for public or governmental purposes (as distinct to property dedicated to a commercial use.

It may not be possible to effect service of process against Belarus in courts outside Belarus or in a jurisdiction to which Belarus has not explicitly submitted and the choice of jurisdiction of a foreign court (including English courts) in contractual agreements may be held to be invalid by a Belarus court. In addition, it may not be possible in the courts of Belarus to enforce foreign court judgments against Belarus that are predicated upon the laws of foreign jurisdictions without a re-examination of the merits of such judgment in the Belarusian courts. Furthermore, if a foreign judgment were to provide for an enforcement procedure contravening Belarusian law requirements, a Belarusian court would likely refuse to recognise and enforce the judgment. Courts in Belarus will not enforce a judgment obtained in a court established in a country other than Belarus unless such enforcement if provided for by an international or bilateral treaty ratified by Belarus or by arrangement between such country and Belarus providing for reciprocal enforcement of judgments, and then only in accordance with the terms of such treaty or arrangement. Such treaties are in existence with the majority of CIS countries and other countries including, amongst others, Latvia, Lithuania, China, Hungary. There is no such treaty in effect between Belarus and the United Kingdom.

Belarusian courts may not enforce foreign judgments or arbitral awards

Pursuant to Belarusian legislation, if enforcement of a foreign judgment or arbitral award would threaten the interests of Belarus, a Belarusian court may refuse to enforce the judgment or award. There is a significant risk that it may not be possible to enforce a foreign judgment or arbitral award in Belarus for this reason.

In addition and notwithstanding that Belarus is a party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958, in accordance with which an award of the London Court of International Arbitration would be recognised and enforced by the courts of Belarus, it may not be possible to enforce foreign arbitral awards against Belarus either due to Belarusian courts interpreting widely "public policy" as a ground for refusing recognition and enforcement of the award, or due to the arbitration clause not being considered finally agreed, as the dispute resolution clause provides for a number of alternatives to arbitration without express terms for their application.

Belarusian courts may not enforce gross up obligations

Currently Belarus law generally prohibits contractual provisions requiring one party to pay tax for another party. No official interpretation or guidance exists on whether such restriction would apply to the obligations of Belarus in Condition 7 of the Notes. In the absence of any such official interpretation or guidance regarding the validity of the tax gross up provisions, a risk exists that such restriction may be interpreted broadly by the courts and applied to gross up provisions. As a result, Condition 7 could be found null and void and, therefore, unenforceable in Belarus.

Investors should also refer to "*Taxation – Belarusian Taxation*" for a discussion of certain risks relating to the enforceability of the Issuer's obligations under Condition 7 of the Notes.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of U.S.$100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.$100,000 in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive

Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to U.S.$100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of U.S.$100,000 may be illiquid and difficult to trade.

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit risk

The Notes represent obligations of Belarus. Investors are exposed to the risk that Belarus may not be able to, or may choose not to, perform its obligations under the Notes, including the obligations to pay principal and interest in a timely manner.

Credit ratings may not reflect all risks

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. have assigned credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:

The U.S.$600,000,000 8.75 per cent. Notes due 2015 (the "**Notes**"), which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes of the Republic of Belarus (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated 3 August 2010 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**") and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the "**Paying Agents**"). The holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**" respectively) are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 3 August 2010 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders and Couponholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 *Form and Denomination*

The Notes are in bearer form, serially numbered, in the denomination of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000 with Coupons attached on issue. No Notes in definitive form will be issued with a denomination above U.S.$199,000.

1.2 *Title*

Title to the Notes and to the Coupons will pass by delivery.

1.3 *Holder Absolute Owner*

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all the other obligations of the Issuer pursuant to the Notes and Coupons. Subject as provided above, the Notes and Coupons rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, except for any obligations preferred by law.

3. NEGATIVE PLEDGE AND COVENANTS

3.1 *Negative Pledge*

So long as any Note or Coupon remain outstanding the Issuer will not create or have outstanding, and will procure that there is not created or permitted to be outstanding, any mortgage, charge, lien, pledge or any other security interest (each a "**Security Interest**") other than a Permitted Security Interest (as defined below) upon, or with respect to, any of its present or future assets or revenues or upon the official external reserves of the Issuer (which expression includes the gold reserves of the Issuer by whomsoever and in whatsoever form owned or held or customarily regarded and held out as the official external reserves) or any part thereof to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all the action necessary to ensure that:

(a) all amounts payable by it under the Notes and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in Condition 12.4) of the Noteholders.

3.2 *Interpretation*

For the purposes of these Conditions:

"**Relevant Indebtedness**" means (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which (i) are for the time being or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other such securities market and (ii) are denominated in a currency other than the Belarusian ruble and (b) any guarantee or indemnity in respect of any such indebtedness.

"Permitted Security Interest" means:

(a) any Security Interest upon property (or any revenues therefrom) to secure Relevant Indebtedness incurred for the purpose of financing the acquisition or construction of such property;

(b) any Security Interest existing on any property (or any revenues therefrom) at the time of its acquisition;

(c) any Security Interest securing Relevant Indebtedness incurred for the purpose of Project Financing provided that (i) the holders of such Relevant Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Relevant Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues;

(d) any Security Interest existing on the original date of issue of the Notes; and

(e) the renewal or extension of any Security Interest described in subparagraphs (a) to (d) above, provided that the principal amount of the Relevant Indebtedness secured thereby is not increased; and

"Project Financing" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development, or exploitation of any property pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

3.3 ***Covenants***

So long as any Note or Coupon remains outstanding the Issuer shall:

(a) at all times have and exercise full rights of ownership in respect of the International Monetary Assets of the Issuer and procure that the National Bank of the Republic of Belarus at all times has and exercises full authority, power and control in respect of the International Monetary Assets of the Issuer; and

(b) duly obtain and maintain in full force and effect all governmental approvals (including any exchange control and transfer approvals) which may be necessary or advisable under the laws of the Issuer for the execution, delivery and performance of the Notes by it and duly take all necessary and advisable governmental and administrative action in the Republic of Belarus in order to make all payments to be made under the Notes as required by these Conditions.

In these Conditions, "**International Monetary Assets**" means all official holdings of gold, Special Drawing Rights, Reserve Positions in the Fund and Foreign Exchange of the Government or any agency or department of the Government from time to time, the terms "**Special Drawing Rights**, **Reserve Positions in the Fund**" and "**Foreign Exchange**" have, as to the types of assets included, the meanings given to them in the International Monetary Fund's ("**IMF**") publication entitled "International Financial Statistics" or such other meanings as shall be formally adopted by the IMF from time to time and "**Government**" means the government of the Issuer from time to time.

4. INTEREST

4.1 ***Interest Rate and Interest Payment Dates***

The Notes bear interest from and including 3 August 2010 at the rate of 8.75 per cent. per annum, payable semi-annually in arrear on 3 February and 3 August (each an "**Interest Payment Date**"). The first payment (representing a half-year's interest) shall be made on 3 February 2011.

4.2 ***Interest Accrual***

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

4.3 ***Calculation of Broken Interest***

When interest is required to be calculated in respect of a period of less than a half-year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. PAYMENTS

5.1 ***Payments in respect of Notes***

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States or its possessions of any of the Paying Agents.

5.2 ***Method of Payment***

Payments will be made by credit or transfer to an account in U.S.$ maintained by the payee with or, at the option of the payee, by a cheque in U.S.$ drawn on, a bank in New York City.

5.3 ***Missing Unmatured Coupons***

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8) but not thereafter.

5.4 ***Payments subject to Applicable Laws***

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 ***Payment only on a Presentation Date***

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

"**Presentation Date**" means a day which (subject to Condition 8):

(a) is or falls after the relevant due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a U.S.$ account in New York City as referred to above, is a Business Day in New York City.

In this Condition, "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

5.6 ***Initial Paying Agents***

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having its specified office in a European city which so long as the Notes are listed on the Luxembourg Stock Exchange shall be Luxembourg; and

(c) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition 11.

6. REDEMPTION AND PURCHASE

6.1 *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 3 August 2015.

6.2 *Purchases*

The Issuer may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

6.3 *Cancellations*

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

7. TAXATION

7.1 *Payment without Withholding*

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Issuer or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Issuer other than the mere holding of the Note or Coupon; or

(b) presented for payment in the Republic of Belarus; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5).

7.2 *Interpretation*

In these Conditions, "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 11.

7.3 *Additional Amounts*

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

9. EVENTS OF DEFAULT

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events ("**Events of Default**") shall have occurred and is continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any other loan or debt of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any loan or debt on the due date for payment or at the expiry of any grace period originally applicable thereto; (iii) any security given by the Issuer for any loan or debt becomes enforceable; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any loan, debt or other moneys of any other person *provided that* the aggregate amount of any such loan or debt of the Issuer or any loan, debt or other moneys in relation to which the Issuer has given any security, guarantee and/or indemnity is in excess of U.S.$25,000,000; or

(d) if the Issuer repudiates or declares a general moratorium on or in respect of its indebtedness or any part thereof or the Issuer ceases to be a member of the IMF or to be eligible to use the general resources of the IMF; or

(e) if the validity of the Notes is contested by the Issuer, or the Issuer denies any of the Issuer's obligations under the Notes or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any such obligations are or become unenforceable or invalid; or

(f) if any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent or (if different) the Paying Agent in Luxembourg, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper published in Luxembourg or, at the option of the Issuer, on the Luxembourg Stock Exchange's website (www.bourse.lu). It is expected that publication will normally be made in the *Financial Times* and the *Luxembourger Wort*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

12. MEETINGS OF NOTEHOLDERS; WRITTEN RESOLUTIONS

12.1 *Convening meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer at any time upon the request in writing of holders of at least 10 per cent. of the aggregate principal amount of the outstanding Notes.

12.2 *Quorum*

The quorum at any meeting of Noteholders convened to vote on an Extraordinary Resolution (as defined below) will be:

(a) one or more persons present and holding or representing at least 50 per cent. of the aggregate principal amount of the outstanding Notes; or

(b) where a meeting is adjourned and rescheduled owing to a lack of quorum, at any rescheduled meeting of Noteholders, one or more persons present and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Notes,

provided, however, that any proposal relating to a Reserved Matter (as defined below) may only be approved by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons present and holding or representing at least 75 per cent. of the aggregate principal amount of the outstanding Notes form a quorum.

12.3 *Reserved Matters*

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable;

(c) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, Written Resolution (as defined below) or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, the definition of "Extraordinary Resolution", the definition of "outstanding" or the definition of "Written Resolution" in these Conditions or in the Agency Agreement;

(e) to change or waive the provisions of the Notes set out in Conditions 2 and 9;

(f) to change the law governing the Notes, the arbitration procedure or the courts to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 15;

(g) to approve any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person; or

(h) in connection with any proposed exchange, substitution or conversion of the type referred to in paragraph (g) to amend any of the provisions of the Notes describing circumstances in which Notes may be redeemed or declared due and payable prior to their scheduled maturity date.

12.4 ***Modifications***

Any modification of any provision of these Conditions may be made if approved by an Extraordinary Resolution or a Written Resolution. In these Conditions, "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority of at least:

(a) in the case of a Reserved Matter, 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(b) in the case of a matter other than a Reserved Matter, 66.67 per cent. of the aggregate principal amount of the outstanding Notes which are represented at that meeting.

Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and whether they voted in favour or not.

12.5 ***Written Resolutions***

In addition, the Agency Agreement contains provisions relating to Written Resolutions. A "**Written Resolution**" is a resolution in writing signed by or on behalf of the holders of at least 75 per cent. of the principal amount of the outstanding Notes, in the case of a Reserved Matter, or 66.67 per cent. of the principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter. Any Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Any Written Resolution shall be binding on all of the Noteholders, whether or not signed by them.

12.6 ***Manifest error, etc.***

The Notes, these Conditions and the provisions of the Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

12.7 ***Outstanding Notes***

For the purposes of (a) ascertaining the right to attend and vote at any meeting of Noteholders, (b) this Condition 12 and Schedule 5 to the Agency Agreement, (c) Condition 13 and (d) Condition 9, those Notes (if any) which are for the time being held by or on behalf of the Issuer or by any political sub-division, regional government, ministry, department, authority or statutory corporation of the Issuer and the government thereof (whether or not such statutory corporation is autonomous) shall (unless and until ceasing to be so held) be disregarded and be deemed not to remain outstanding.

12.8 ***Written requests etc.***

Before any request is made or notice is delivered or Written Resolution is signed by any Noteholder in accordance with the provisions of this Condition or Conditions 13 or 9, the relevant Noteholder must deposit its Notes with any Paying Agent and obtain two copies of an acknowledgment of receipt (an "**Acknowledgment**") signed and dated by the relevant Paying Agent and certifying the principal amount of Notes so deposited. Any request so made, notice so given or Written Resolution so signed by any Noteholder must be accompanied by an Acknowledgment issued to the Noteholder. Notes so deposited will not be released until the earlier of (a) the 30th day after the date of deposit and (b) the request, notice or Written Resolution becoming effective in accordance with these Conditions and will only be released against surrender of a relevant Acknowledgment.

13. NOTEHOLDERS' REPRESENTATIVE COMMITTEE

13.1 ***Appointment***

The Noteholders may, by a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority of at least 50 per cent. in aggregate principal amount of the Notes then outstanding, or by notice in writing to the Issuer (with a copy to the Fiscal Agent) signed by or on behalf of the holders of at least 50 per cent. in aggregate principal amount of the Notes then outstanding, appoint any person or persons as a committee to represent the interests of the Noteholders if any of the following events has occurred:

(a) an Event of Default;

(b) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default; or

(c) any official public announcement by the Issuer to the effect that the Issuer is seeking or intends to seek a restructuring of the Notes (whether by amendment, exchange offer or otherwise),

provided, however, that no such appointment shall be effective if the holders of more than 25 per cent. of the principal amount of the outstanding Notes have either (i) objected to such appointment by notice in writing to the Issuer (with a copy to the Fiscal Agent) during a specified period following notice of the appointment being given (if such notice of appointment is made by notice in writing to the Issuer) where such specified period shall be either 30 days or such other longer or shorter period as the committee may, acting in good faith, determine to be appropriate in the circumstances, or (ii) voted against such resolution at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement.

13.2 ***Powers***

Such committee shall, if appointed by notice in writing to the Issuer, give notice of its appointment to all Noteholders in accordance with Condition 11 as soon as practicable after the notice is delivered to the Issuer. Such committee in its discretion may, among other things, (a) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders, (b) adopt such rules as it considers appropriate regarding its proceedings and (c) enter into discussions with the Issuer and/or other creditors of the Issuer. The Issuer shall pay any documented and properly incurred fees and expenses of any such committee (including, without limitation, the costs of giving notices to Noteholders and the reasonable fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Issuer of a reasonably detailed invoice and supporting documentation.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

15. GOVERNING LAW AND JURISDICTION

15.1 ***Governing Law***

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and will be construed in accordance with English law.

15.2 ***Agreement to arbitrate***

Subject to Condition 15.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**") which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

(a) any Request for Arbitration may be served on the Issuer by any Noteholder or Couponholder lodging the same with the Fiscal Agent;

(b) the seat of arbitration shall be London;

(c) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(d) the language of the arbitration shall be English.

15.3 ***Option to litigate***

Notwithstanding Condition 15.2 above, any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer;

(a) within 28 days of service of a Request of Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced within 28 days,

require that a Dispute be heard by a court of law (subject to clause 15.4 below). If any Noteholder or Couponholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 15.4 and, subject as provided below, any arbitration commenced under Condition 15.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

15.4 ***Effect of exercise of option to litigate***

In the event that a notice pursuant to Condition 15.3 is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 15.4 is for the benefit of the Noteholders and the Couponholders only. As a result, and not withstanding paragraph (a) above, any Noteholder or Couponholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholders and Couponholders may take concurrent Proceedings in any number of jurisdictions.

15.5 ***Appointment of Process Agent***

The Issuer appoints the Ambassador of the Republic of Belarus in the United Kingdom currently residing at the Embassy of the Republic of Belarus, 6 Kensington Court, London W8 5DL or, in his absence, his designate, failing which, the Issuer's representation in the United Kingdom for the time being as its agent for service of process in England and agrees that, if for any reason such agent shall cease to be such agent for service of process, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

15.6 ***Waiver of immunity***

To the extent that the Issuer may in any jurisdiction claim for itself or its revenues, assets or properties invested in financial, commercial or industrial activities or deposited in banks ("**Sovereign Assets**") immunities from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or legal process, in all cases related to these Conditions, and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), the Issuer hereby irrevocably agrees for the benefit of the Noteholders and Couponholders not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, to the extent that the Issuer or any of its Sovereign Assets shall be entitled in any jurisdiction to any immunity from set-off or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, the Issuer hereby irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any claim, suit, action, proceeding, right or remedy arising out of or in connection with the Notes and the Coupons.

The Issuer further irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any Sovereign Assets whatsoever (irrespective of their use or intended use) of any order or judgment made or given in connection with any Proceedings. The waiver of immunity by the Issuer herein shall not constitute a waiver of immunity in relation to diplomatic representations and consular offices of the Issuer except to the extent required for any service of process pursuant to Condition 15.5.

15.7 ***Consolidation of Disputes***

(a) In this Subclause:

"**Joinder Order**" means an order by a Tribunal that a Primary Dispute and a Linked Dispute be resolved in the same arbitral proceedings.

"**Linked Agreement**" means the Subscription Agreement dated 30 July 2010 between the Issuer and the Managers, the Agency Agreement and the Deed of Covenant.

"**Linked Dispute**" means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with any Linked Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it, where a Request for Arbitration is served after a Request for Arbitration has been served in respect of a Primary Dispute.

"**Primary Dispute**" means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with any Linked Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it, where a Request for Arbitration has been served before a Request for Arbitration has been served in relation to a Linked Dispute.

"**Tribunal**" means any arbitral tribunal appointed under these Conditions or any Linked Agreement.

(b) Any party to a Primary Dispute and a Linked Dispute may apply to the Tribunal appointed in relation to the Primary Dispute for a Joinder Order in relation to any Linked Dispute.

(c) The applicant must promptly notify all parties to the Primary Dispute and the Linked Dispute of any application under Subclause (b) above.

(d) The Tribunal appointed in relation to the Primary Dispute may, if it considers it just, make a Joinder Order on hearing an application brought under Subclause (b) above. In determining whether to make a Joinder Order, the Tribunal must take account of:

(i) the likelihood and consequences of inconsistent decisions if joinder is not ordered;

(ii) any fault on the part of the party seeking joinder to make a timely application; and

(iii) the likely consequences of joinder in terms of cost and time.

(e) If the Tribunal makes a Joinder Order:

(i) it will immediately, to the exclusion of other Tribunals, have jurisdiction to resolve finally the Linked Dispute in addition to its jurisdiction in relation to the Primary Dispute to the exclusion of any other Tribunal;

(ii) it must order that notice of the Joinder Order and its effect be given immediately to any arbitrators already appointed in relation to the Linked Dispute and to all parties to the Linked Dispute and to all parties to the Primary Dispute;

(iii) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Joinder Order will terminate immediately and that arbitrator will be deemed to be *functus officio.* The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision;

(iv) it may also give any other directions it considers appropriate to:

(A) give effect to the Joinder Order and make provisions for any costs which may result from it (including costs in any arbitration terminated as a result of the Joinder Order); and

(B) ensure the proper organisation of the arbitration proceedings and the proper formulation and resolution of the issues between the parties.

(f) If a Tribunal appointed under a Linked Agreement makes a Joinder Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under these Conditions, that Joinder

Order and the award of that Tribunal will bind the parties to the Primary Dispute and the Linked Dispute being heard by that Tribunal.

(g) For the avoidance of doubt, where a Tribunal is appointed under these Conditions or any Linked Agreement, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by these Conditions and that Linked Agreement.

(h) Each of the Issuer, the Noteholders and the Couponholders waives any objection, on the basis of a Joinder Order, to the validity and/or enforcement of any arbitral award made by a Tribunal following any Joinder Order.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. EXCHANGE

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

(a) an event of default (as set out in Condition 9) has occurred; or

(b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. The holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, "**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. PAYMENTS

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. Payment of principal and interest (if any) on a Temporary Global Note will only be made outside of the United States and its possessions. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. NOTICES

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notice will also be given by publication in a daily newspaper published in Luxembourg or on the website of the Luxembourg Stock Exchange if and to the extent that the rules of the Luxembourg Stock Exchange so require. Any notice delivered to Euroclear and Clearstream, Luxembourg shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and Clearstream, Luxembourg as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. ACCOUNTHOLDERS

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9) other than with respect to the payment of principal and interest in respect of the Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. PRESCRIPTION

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. CANCELLATION

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately U.S.$592,264,000, will be used by the Issuer for general purposes, including the application of proceeds to the Issuer's foreign reserve assets.

THE REPUBLIC OF BELARUS

Location and Population

Belarus is a landlocked country in Eastern Europe. Belarus borders the Russian Federation to the East, Poland to the West, Lithuania and Latvia to the North and Ukraine to the South. The distances from Minsk to Moscow, Warsaw, Vilnius, Riga and Kiev are 700 kilometres, 550 kilometres, 215 kilometres, 470 and 580 kilometres, respectively.

The area of the territory of Belarus is 207.6 thousand square kilometres, making Belarus the 13th largest country in Europe by area. At its widest points, Belarus stretches for 560 kilometres from North to South and for 650 kilometres from West to East. The terrain of Belarus is predominantly flat, and includes many lakes and marshlands. Forest covers about one third of the country.

Belarus is crossed by numerous oil, gas and oil related product pipelines, railways, highways, navigable waterways and telecommunication lines between Western Europe and the Russian Federation and Asian countries. The most direct transportation routes linking the Russian Federation with the countries of Western Europe, and the Baltic and Black seas, are through Belarus.

Administratively, Belarus is divided into six regions (*oblasts*) (Brest, Vitebsk, Gomel, Grodno, Mogilev and Minsk), 118 districts, 112 cities and towns and 94 urban villages. As at 31 December 2009 the population of Belarus was 9.48 million people comprising more than 100 ethnic groups. Ethnic Belarusians constitute 81.2 per cent. of Belarus's total population. Other ethnic groups are Russians (11.4 per cent.), Poles (3.9 per cent.) and Ukrainians (2.4 per cent.). Minsk, with a population of 1.8 million, is the capital city of Belarus. The population of regional centres ranges from 300,000 to 500,000. Seven cities (Bobruysk, Baranovichi, Borisov, Pinsk, Orsha, Mozyr and Soligorsk) have populations above 100,000. Approximately 74.5 per cent. of the population of Belarus lives in urban centres. The national languages of Belarus are Belarusian and Russian.

The following table sets forth a breakdown of Belarus's population by age and gender as at January 2009.

Age	*Percentage of Population*	*Gender* *Male*	*Female*	*Total Population (Male and Female)*
0–14	14.63	727,522	687,533	1,415,055
15–64	71.23	3,346,913	3,542,716	6,889,629
65 and over	14.14	437,188	930,040	1,367,228
Total	100.00	4,511,623	5,160,289	9,671,912

Source: National Statistical Committee

Approximately 50 per cent. of the Belarusian population identify themselves as holding religious beliefs, of which approximately 80 per cent. are Belarusian orthodox. Other religions in Belarus include Roman Catholicism, Islam and Judaism.

History

From the early 10th century until the 13th century a number of different states existed on the territory of present day Belarus with the principalities of Polotsk, Turov and Novgorod being the most important.

These principalities formed a large confederation within Kievan Russia where the relations between the princes were based on suzerainty and vassalage. During the 10th to 12th centuries, some of the major principalities became independent and were ruled by local dynasties, but from the middle of the 13th century until the end of the 18th century the Belarusian lands formed a part of the Grand Duchy of Lithuania. The Grand Duchy existed as a fully independent sovereign state from the middle of the 13th century until 1569, when it became one of the two federated entities within the Polish Commonwealth (Rzecz Pospolita).

After Rzecz Pospolita was divided, Belarus became part of the Russian Empire and lost its separate identity, as reflected in the official name, the North-Western Lands, given to it in 1840. From 1801, the ethnic territory of the Belarusians formed part of the Minsk, Mogilev, Vitebsk, Grodno and Vilnia provinces of Russia.

During World War I, when still occupied by German troops, the Belarusian People's Republic was proclaimed as a national bourgeois-democratic state on 25 March 1918. It failed, however, to turn into a fully-fledged country, having no time to form a constitution or to set state boundaries.

On 1 January 1919, the Belarusian Soviet Socialistic Republic (BSSR) was formed. Its political and economic life was under control of a central authority. Non-communist parties and organisations were banned, and the administrative functions were performed by the Communist Party machinery. At the same time, the Constitution of the BSSR declared that all power was delegated to the Councils of Workers', Peasants' and Soldiers' Deputies.

On 27 July 1990, the Declaration of State Sovereignty was adopted. Following the collapse of the Soviet Union, Belarus officially declared independence on 25 August 1991.

Government

The Constitution and the President

Belarus is a presidential republic, governed by the President, the Council of Ministers and the National Assembly. Belarus's current constitution (the "**Constitution**") was adopted in 1994, with amendments and additions adopted at the national referenda held on 24 November 1996 and 17 October 2004, and is the fifth constitution in the history of Belarus's constitutional development. The Constitution defines Belarus as a unitary democratic social constitutional state. The Constitution is the basis for the development of Belarus's legislation.

The legal status, duties and powers of the President are determined by the Constitution and the Belarussian law entitled "On the President of the Republic of Belarus". The Constitution and such law provide that the President is the head of state and the guarantor of the Constitution and the civil and human rights of Belarus and that the President is to be elected directly by the people of Belarus for renewable terms of office of five years. Alexander Lukashenko has been the President since 1994 and following amendments made to the Constitution in 2004, there is no longer any limit on how many times the President can be re-elected.

The President has a wide range of powers. He calls regular and extraordinary elections to the House of Representatives, the Council of the Republic and local representative bodies; appoints the Prime Minister upon confirmation by the House of Representatives; appoints the Council of Ministers; makes appointments to local executive and administrative bodies; and appoints the Chairperson of each of the Constitutional, Supreme and Supreme Economic Courts from among the judges of those courts upon confirmation by the Council of the Republic. The President also appoints six of the twelve judges of the Constitutional Court (with the remaining six appointed by the Council of the Republic) and all judges of the general and economic courts. The President signs bills, grants pardons to convicted citizens, introduces national and public holidays and confers state awards, ranks and titles. The President forms and heads the Security Council of Belarus and is the Commander-in-Chief of the Armed Forces of Belarus.

In accordance with the Constitution, the President can issue edicts and orders on the basis of and in accordance with the Constitution, which have binding force in the territory of Belarus.

The last Presidential elections took place in 2006. Four candidates participated in the elections including the incumbent President, Mr. Lukashenko. Parties represented included the Liberal Democratic Party, the Belarusian Social Democratic Party "Hramada" and the Belarusian Popular Front Party. Mr. Lukashenko ran as an independent candidate and did not represent any political party. Mr. Lukashenko was elected as President by over 80 per cent. of the vote. 92.9 per cent. of the electorate took part in the 2006 elections. The next presidential elections must be held by no later than February 2011.

The Executive

Executive power in Belarus is exercised by the Government as represented by the Council of Ministers. The Council of Ministers comprises the Prime Minister, his deputies and his ministers. In addition, the Council of Ministers may include heads of other national bodies of public administration. In its activities the Council of Ministers is accountable to the President, who appoints its members and receives a quarterly report on the work done by the Council of Ministers. The Council of Ministers is also responsible to the National Assembly.

The Prime Minister is appointed by the President with the consent of the House of Representatives. In the event of two consecutive failures by the House of Representatives to appoint a Prime Minister the President has the right to appoint an acting Prime Minister, dissolve the House of Representatives and call a new election. The Council of Ministers normally acts for the duration of the President's term of office and relinquishes its responsibility when a new President is elected. The President can dismiss the Council of Ministers at any time according to the procedure stipulated by the Constitution.

The Legislature and Main Political Parties

The National Assembly is the representative and legislative body of Belarus. It comprises two chambers: the House of Representatives and the Council of the Republic.

The House of Representatives consists of 110 deputies directly elected by the people of Belarus for renewable terms of four years. The Council of the Republic is made up of territorial representatives and consists of 64 members, 48 of which are elected by the local Councils of Deputies for each of the six regions of Belarus (which each elect eight members), eight of which are elected by the Council of Deputies for the city of Minsk and eight of which are appointed by the President. Unlike members of the Council of the Republic, a deputy of the House of Representatives may also be a member of the Council of Ministers. No person may be a member of both chambers of the National Assembly at the same time, nor can a member of either chamber hold either the office of President or be a judge. Each chamber of the National Assembly gathers for two regular sessions a year. The first session opens on 2 October and lasts no longer than 80 days. The second session opens on 2 April and lasts no longer than 80 days. Extraordinary meetings can be called by a Presidential decree.

The duties of the House of Representatives include, among other things, consideration of draft legislation, setting the timetable for elections of the President, approving the President's candidate for the position of Prime Minister and approving or declining the Government's programmes of activities. The House of Representatives also has the power to pass a vote of no-confidence in the Government. The President has the power to dissolve, and call for new elections to, the House of Representatives.

The Council of the Republic performs the following duties:

- approves or declines proposed amendments to the Constitution and draft legislation passed in the House of Representatives;
- approves the appointment by the President of senior judicial officers, senior officers within the National Bank, the Attorney-General and the Chairman of the Central Commission on Elections and Republican Referendums (the "**Electoral Commission**");
- elects six judges of the Constitutional Court;
- elects six members of the Electoral Commission;
- overrules decisions of local Councils of Deputies that do not comply with applicable law and can dissolve those bodies for systematic non-compliance and in certain other cases prescribed by law;
- investigates serious allegations initiated by the House of Representatives against the President and can dismiss the President if there are grounds to do so; and
- considers and approves Presidential edicts on establishing a state of emergency and the imposition of martial law.

The Electoral Commission is the state body responsible for the running of the state elections for the office of the President, the House of Representatives and the Council of the Republic. The President appoints 6 members of the Electoral Commission, including the Chairman, and the remaining 6 members are appointed by the Council of the Republic. The Electoral Commission's term of office is five years.

The current composition of the House of Representatives includes 103 independent deputies who do not belong to any political party, six deputies from the Communist Party of Belarus and one deputy from the Belarusian Agrarian Party No other party received sufficient votes at the 2008 elections to obtain a seat in the House of Representatives. The next elections to the House of Representatives are due to be held in 2012.

The current composition of the Council of the Republic does not have any dominant political party.

Belarus has 15 political parties. President Lukashenko is not a member of any political party. However, he is supported by the Belarusian Agrarian Party and the Communist Party of Belarus. Other parties include the Belarusian United Left Party "Fair World", the United Civic Party, the Belarusian Popular Front Party and the Belarusian Social Democratic Party "Hramada" all of which oppose the government of President Lukashenko. The Christian Conservative Party – Belarusian Popular Front and the Belarusian Popular Front, which are now two separate parties but were formerly one party known as the Belarusian Popular Front Party, are the main nationalist parties in Belarus. The nationalist parties oppose Belarus's close economic ties with Russia and the focus on social policy and promote greater focus on cooperation with Western countries.

In January 2010, amendments were introduced to Belarus's electoral legislation to give more rights and powers to political parties, particularly relating to their participation in the local electoral commissions and the right to nominate candidates for elections to the House of Representatives. The amendments are intended to stimulate political party growth through an expanded role in the political process and increase the participation of political parties in parliamentary elections.

Judicial System

Belarus has a separate Constitutional Court and two courts of final appeal. The Constitutional Court is responsible for ensuring the compliance of presidential edicts and orders, and legislation from the National Assembly, as well as any other exercise of constitutional power, with the Constitution. The Supreme Economic Court of Belarus and lower economic courts (regional economic courts and the economic court of the city of Minsk) have jurisdiction over commercial disputes. Judicial authority is otherwise vested in the Supreme Court of Belarus and lower courts of general jurisdiction (regional courts, the Minsk city court and district (town) courts) in respect of civil, criminal and administrative matters.

The Constitutional Court is formed of 12 judges who cannot be older than 70 years of age. Six judges of the Constitutional Court are appointed by the President with the remainder being elected by the Council of the Republic. The Chairman of the Constitutional Court is appointed by the President with the consent of the Council of the Republic. The term of office of the members of the Constitutional Court is five years. Members of the Constitutional Court cannot be removed until the end of their term.

All judges of the general and economic courts are appointed and may be removed by the President.

Local Government

Local government within Belarus is organised on a regional, district, city, town, settlement and village basis on the principle of self-government for regional and local issues. Such self-government is exercised by citizens through local Councils of Deputies, executive and administrative authorities, other local authorities, local referenda, meetings and other forms of direct participation in government and public affairs.

The heads of local executive and administrative bodies are appointed (and dismissed) by the President, and these appointments are confirmed by the local Councils of Deputies.

Local Councils of Deputies (including the Council of Deputies for the city of Minsk) make decisions based on current legislation and have exclusive powers on the following issues:

- approval of economic and social development programmes and local budgets, including reports on their outcomes;
- the imposition of local taxes and duties;
- the management of municipal property; and
- holding local referenda.

Local Deputies are elected for renewable terms of four years by the relevant constituencies. The most recent local elections took place in Belarus on 25 April 2010. With a turnout of 79.5 per cent. of the electorate, 21,288 deputies were elected to 1,495 local Councils of Deputies. Only 1.4 per cent. of the elected deputies were members of political parties and the remaining deputies were independent candidates.

International Relations

Overview

Belarus is a member of the United Nations (the "**UN**") and a large number of UN agencies and programmes. It is also a founding member of the Commonwealth of Independent States (the "**CIS**") and a member of the Organisation for Security and Cooperation in Europe (the "**OSCE**"), the North Atlantic Treaty Organisation ("**NATO**") Partnership for Peace, the North Atlantic Cooperation Council, the IMF, the World Bank and the EBRD as well as a number of other international organisations.

Belarus applied to join the World Trade Organisation (the "**WTO**") in 1993. Since 1997, seven official meetings of the WTO Working Party on the accession of Belarus have been held and bilateral negotiations with WTO members on market access issues are ongoing. The last meeting of the WTO Working Party was in 2005. In connection with their agreement to establish a three-member customs union, Belarus, Russia and Kazakhstan have recently agreed amongst themselves to pursue WTO membership on a joint basis and set up a joint delegation to negotiate the accession on behalf of the three countries.

Improving relations with the EU and the United States are among the foreign policy objectives of Belarus. Belarus aims to attract more Western investment and to further integrate into the world economy. At the same time, Belarus intends to maintain its close ties with the Russian Federation.

Relations with the Russian Federation

Belarus has traditionally had close ties with the Russian Federation and it remains Belarus's largest and most important political and economic partner and is one of Belarus's most significant trading partners.

In 1999, a Treaty on Establishing a Union State (the "**Union Treaty**") between the two countries was signed. This treaty set a goal of creating an economic union in which there is free movement of goods, services, capital and labour and equal conditions by which businesses may operate and in which there are equal rights in employment, wages, education, health care and other social benefits. Currently, a Supreme State Council, a Council of Ministers and a Permanent Committee of the Union State have been established pursuant to the Union Treaty together with a Customs Committee, the Broadcasting Organisation of the Union State and various other committees, although certain of the provisions of the Union Treaty have not yet been implemented. These bodies are responsible for approving the union budget and developing programmes for the implementation of the Union Treaty, coordinating these programmes with the national governments of Belarus and Russia, facilitating common export, customs and currency control arrangements between Belarus and Russia and furthering cooperation in television and radio broadcasting.

Creating a monetary union and introducing a single currency were initial objectives of the Union Treaty. However, monetary union and a single currency are no longer being pursued and the existing level of economic integration is considered sufficient. There are also no longer any active efforts to introduce single citizenship, although Belarus and Russia have implemented a number of measures to eliminate any discrimination between citizens of Belarus and Russia in relation to medical services, education and certain other areas. The two countries also cooperate in a common defence policy and coordinate with respect to foreign policy. The coordination of foreign policy comprises cooperation in the areas of defence, security, border policy, law enforcement and technical military cooperation. On 25 November 2009, Belarus and Russia adopted a Programme of Concerted Foreign Policy Action of the Union State for 2010 – 2011.

As part of developing bilateral trade, Belarus and Russia signed a bilateral free trade agreement on 13 November 1992, a treaty establishing a Belarus-Russian customs union on 6 January 1995 and a treaty on improving trade and economic cooperation on 23 March 2007. The volume of bilateral trade between Belarus and Russia was U.S.$23,431.0 million in 2009 or 47.0 per cent. of the total volume of foreign trade of Belarus, of which exports to Russia were U.S.$6,713.9 million and imports from Russia were U.S.$16,717.1 million or 31.5 per cent. and 58.5 per cent. of Belarus's total exports and imports, respectively. Belarus's exports to Russia principally comprise milk and dairy products, machinery, equipment, meat, tyres, furniture, spare parts for tractors and automobiles, and its imports from Russia principally comprise fuels, metal products and chemicals. See "*Balance of Payments and Foreign Trade – Foreign Trade*".

A number of oil and gas pipelines from Russia to EU member states and a significant portion of Russian oil and gas exports run through Belarus. In particular, over 30 per cent. of Russia's oil and over 20 per cent. of its natural gas are delivered through Belarus. Belarus and Russia have had a number of disagreements regarding the applicability of duty to be imposed on Russian crude oil exports to Belarus. See "*Risk Factors – Risks Relating to Belarus – A deterioration in Belarus's relations with Russia could adversely affect the supply of energy resources to Belarus and Russian investment in Belarus and therefore have a negative effect on Belarus's economy*" and "*The Economy of the Republic of Belarus – Fuel and Energy – Oil*".

In January 2009, Belarus and Russia agreed on certain anti-crisis measures aimed to improve the balance of payments, the business climate, economic cooperation and bilateral trade, and to stabilise the financial and credit markets in both countries. Such measures included simplifying export and import procedures between the two countries, a wider usage of the Russian ruble as a payment currency in foreign trade and facilitating access of Belarusian and Russian banks to the credit markets in both countries.

Since 2007, the presidents of Belarus and Russia, together with Kazakhstan, have signed a number of treaties for the creation of a three-member customs union. The customs union is intended to advance cooperation and integration on issues not already addressed by the framework of the CIS. A common customs code entered into force as amongst all three countries on 6 July 2010. The customs union is viewed as a transitional step towards the formation of a single economic area. The parties will be working towards finalising implementing documentation for the single economic area by 1 January 2011.

Russia is the main source of FDI in Belarus and is the largest provider of external funding to Belarus. FDI sourced from Russia represented 83.5 per cent. of FDI inflows in 2009. As at 31 December 2009, the total amount outstanding under bilateral loans from Russia to Belarus was U.S.$3.3 billion. See "*The Economy of the Republic of Belarus – FDI and Privatisation – FDI*" and "*Public Debt*".

While there have been certain tensions in the relationship between Belarus and Russia related to trade and economic cooperation (including the oil and gas disputes described above) as well as certain foreign relations differences, Russia continues to be Belarus's closest ally and strategic partner.

Relations with CIS States

Cooperation between Belarus and other CIS states is based on bilateral treaties and an important objective of Belarus's foreign policy.

The volume of foreign trade between Belarus and other CIS states (excluding Russia) was U.S.$4,097.7 million in 2009 or 8.2 per cent. of the total volume of foreign trade of Belarus, of which exports to CIS states (excluding Russia) were U.S.$2,600.1 million and imports from CIS states (excluding Russia) were U.S.$1,497.6 million, or 12.2 per cent. and 5.2 per cent. of Belarus's total exports and imports, respectively.

Belarus's key trading partners within the CIS (excluding Russia) are Ukraine, Kazakhstan, Azerbaijan, Moldova and Turkmenistan. In 2009, these five countries represented together 92.9 per cent. of Belarus's exports to CIS states (excluding Russia) and 98.6 per cent. of Belarus's imports from CIS states (excluding Russia). See also "*Balance of Payments and Foreign Trade – Foreign Trade*".

Relations with the European Union

The EU is the main destination for Belarus's exports and the principal provider of technical and humanitarian aid to Belarus.

Belarus has a complex political relationship with the EU and its member states. Belarus is working to improve relations and develop close co-operation with the EU and such states, and there have been a number of improvements in the Belarus-EU relationship since 2007. In April 2008, a delegation of the EU's European Commission opened in Minsk to advance the dialogue between Belarus and the EU. Belarus regards this as an important development in fostering co-operation between Belarus and the EU in areas of common interest, such as energy, transport, environment, agriculture, customs, the economy and financial markets. In addition, the European Commission and Belarus are currently finalising mandates to start negotiations on simplifying general reciprocal visa procedures. A number of senior EU officials visited the country in 2009, including the High Representative for Common Foreign and Security Policy, the European Commissioner and the President of the EU Council.

The EU has criticised the method in which certain elections in Belarus have been conducted. The EU has also raised human rights concerns. Belarus does not accept that such criticisms are justified. Based on its objections, the EU has imposed travel restrictions and financial sanctions on certain Belarusian officials. In 2008, the EU suspended the travel restrictions and has since further extended the suspension of these restrictions until October 2010, when a further decision is expected to be made by the EU. Suspension of the travel restrictions on a permanent basis is conditional on improvements being made in Belarus's regulation of mass media, trade unions and in certain other areas.

In January 2009, the EU approved an expansion of the EBRD's operations in Belarus, and the representatives of the relevant EU members on the Executive Board of the IMF approved a stand-by programme with Belarus. Belarus is currently in negotiations with the EU to become included in a mandate of the European Investment Bank (the "**EIB**"), the long-term lending bank of the European Union. Belarus is also negotiating with the European Commission on extension of assistance to Belarus by the EU.

Belarus is a member of the EU's Eastern Partnership project. The Eastern Partnership was launched in Prague in May 2009 to improve political, economic and trade-relations between the EU and the six post-Soviet states of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, which are considered to be of strategic importance to the EU. However, the EU has stated that continued engagement with Belarus is conditional on progress being made by Belarus towards democracy and in respect of human rights issues. The Eastern Partnership has been launched relatively recently and no action plan is currently in place for this partnership.

Belarus has trade agreements in place with several EU member states, including the United Kingdom, Germany, Italy, France, Belgium and The Netherlands. Belarus provides a transit route for commodities, services and energy to the EU, including by way of the main oil and gas pipelines from Russia to EU member states which run through Belarus. In view of the growing dependence of the EU on imported energy resources and the role of Russia in satisfying those energy requirements, the importance of Belarus as a transit route is expected to increase. To facilitate further development of trade with the EU, Belarus is implementing a number of programmes to bring Belarus industry standards closer to those in the EU. Belarus is improving its certification system for food and agricultural produce to enable such produce to gain access to the EU market and is also working on a technical assistance programme with the EU. In 2007, the EU withdrew trade preferences to Belarus under its Generalised System of Preferences ("**GSP**"), citing Belarus's failure to comply with the core labour standards of the International Labour Organisation. GSP withdrawal is a cancellation of a trade privilege that returns Belarus's import tariffs to the standard non-preferential rate. The GSP withdrawal is still in place but is expressed to be temporary and the EU has stated its willingness to reinstate GSP trade preferences once Belarus has proved irreversible conformity with core trade union rights. The Government is working on implementing recommendations made by the International Labour Organisations to have the trade preferences re-instated. The next review by the International Labour Organisation of Belarus's compliance with its obligations is scheduled for June 2011. See "*Balance of Payment and Foreign Trade – Foreign Trade*".

The Council of Europe has affirmed its intention to promote further cooperation with Belarus. However, in April 2010, the parliamentary assembly of the Council of Europe, citing lack of progress by Belarus in embracing Council of Europe values and standards in the areas of human rights and democracy, passed a resolution putting on hold its activities involving high-level contacts between the assembly and the Belarusian parliament and/or Belarusian governmental authorities.

Relations with the United States

Despite current difficulties at the political level with the United States, Belarus supports the ongoing constructive dialogue on non-proliferation of weapons of mass destruction, the protection of nuclear facilities and the fight against money laundering and human trafficking. Bilateral relations are maintained in the law enforcement area with a view to combating high technology crime and there is active co-operation with American charities involved in the provision of assistance on Chernobyl projects. In June 2009, the United States extended the normal trade relations regime with Belarus until June 2010 and subsequently until June 2011.

The United States provides assistance to Belarus under the Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act (the "**Freedom Support Act**") enacted in October 1992. In 2006, the United States passed the Belarus Democracy Reauthorisation Act 2006. The law authorised funding for 2007 and 2008 for democracy-building activities such as support for non-governmental organisations, independent trade unions and entrepreneurs, human rights defenders, independent media, democratic political parties, and international exchanges. According to the United States Department of State, the total United States Government assistance provided to Belarus was U.S.$11.5 million (all of which was provided under the Freedom Support Act) in 2009, U.S.$17.1 million (U.S.$11.5 million of which was provided under the Freedom Support Act) in 2008 and U.S.$16.4 million (U.S.$12.2 million of which was provided under the Freedom Support Act) in 2007. The funds are disbursed to the U.S. embassy in Belarus which then allocates them for educational, cultural, informational and other similar purposes.

In common with the EU, the United States has criticised the method in which certain elections in Belarus have been conducted. The United States has also raised human rights concerns and has expressed concerns about alleged public corruption and misuse of public assets. Belarus does not accept that such criticisms are justified. Based on its objections, the United States has imposed travel restrictions against certain Belarusian officials and has imposed sanctions against Belarus's state-owned petrochemical company Concern Belneftekhim and other entities within the Concern Belneftekhim group. In addition, the United States has imposed economic sanctions administered by the U.S. Treasury Department Office of Foreign Assets Control ("**OFAC**") that prohibit U.S. persons from engaging in economic transactions with President Lukashenko and certain other Belarusian officials or with entities in which they hold a 50 per cent. or greater interest. It is believed that Concern Belneftekhim was identified as a target for the sanctions because it is the largest Belarusian State-owned exporter to the United States. Concern Belneftekhim's annual volume of exports to the United States was U.S.$9.98 million in 2009 or 24.2 per cent. of the total exports to the United States, U.S.$97.9 million or 68.2 per cent. in 2008, U.S.$300.6 million or 86.2 per cent. in 2007, U.S.$383.3 million or 85.8 per cent. in 2006 and U.S.$152.6 million or 61.0 per cent. in 2005. Apart from Concern Belneftekhim, the majority of Belarusian enterprises exporting to the United States are private companies and are therefore not subject to sanctions. In September 2008, the United States lifted the sanctions in relation to two subsidiaries of Concern Belneftekhim, Open Joint-Stock Company Lakokraska and Open Joint-Stock Company Polotsk Steklovolokno, until March 2009. The suspension has been subsequently extended to 31 May 2010 and then to 30 November 2010. In the Belarus Democracy Reauthorisation Act of 2006, the U.S. Congress, citing failings by Belarus in the areas of human rights and democracy, recommended that the executive branch of the U.S. government impose extensive sanctions against Belarus, although this recommendation has no legal force. The U.S. State Department has stated that the U.S.

Government does not encourage investment by U.S. companies in Belarus, citing that Belarus is a difficult environment for investors. Belarus is currently working to achieve the lifting of all U.S. travel restrictions and economic sanctions.

Until 2008, the United States was one of the largest markets for Belarusian exports outside of the CIS. Starting from 2008, as a result of the impact of the global economic crisis and sanctions imposed by the United States against Belarus's State-owned petrochemical company Concern Belneftekhim resulting in a redirection of its exports to other markets, Belarusian exports to the United States have reduced significantly. Consequently, in 2009 the United States was only the 37th largest market for Belarusian exports.

Belarus supports the normalisation of relations with the United States without preconditions. In June 2009, a group of U.S. congressmen visited Minsk to discuss bilateral relations with the President of Belarus. In July 2009, the Assistant State Secretary of the United States visited Belarus and met with representatives of the Presidential Administration and Ministry of Foreign Affairs. In March 2010, senior officers of 10 major U.S. companies (including Microsoft, Honeywell, Navistar and Arvin Meritor) visited Belarus and met with the President and the Prime Minister to discuss possible investment opportunities and Belarus's business environment. The visit coincided with the establishment of the Belarus-U.S. Business Cooperation Council. The Council was formed upon an initiative of the U.S. companies to bring together the business people of the two countries. The U.S. has not objected to Belarus's U.S.$3.5 billion stand-by programme with the IMF and its borrowings from the IBRD. As part of the improving relations, a Belarusian delegation is expected to visit Washington, D.C. later in 2010 to discuss possibilities for further development of bilateral relations.

THE ECONOMY OF THE REPUBLIC OF BELARUS

Introduction

The early years after Belarus acquired its independence in 1991 were accompanied by a severe economic crisis. Until the mid 1990s, Belarus's basic macroeconomic indicators consistently worsened, primarily as a result of the economic disintegration of the Soviet Union, poor management of and low efficiency in its economy and misdirected economic stabilisation measures.

Since 1996, the social and economic policy of Belarus has been focused on transforming the economy into a socially oriented market economy.

However, the reform has been slow and some commentators have criticised Belarus for failing to reform its economy sufficiently from a State-dominated system and for not actively promoting the private sector. In particular, such commentators have pointed to the Government's emphasis on full employment, the widespread use of subsidies and the absence of large scale privatisations as factors which have prevented the expansion of non traditional sectors within the economy.

Belarus's economy remains dominated by the State and is planned and administered by the Government. The majority of large enterprises are still owned by the State and the public sector represents approximately 60 per cent. of GDP.

From 2005 through 2008, Belarus's economy developed rapidly, as evidenced by growth in the levels of financing and investment, increases in internal consumption rates and favourable foreign trade conditions. Belarus's real GDP increased by an average annual rate of approximately 9.6 per cent. from 2005 to 2008.

Belarus recorded marginally positive GDP growth of 0.2 per cent. in 2009 and consumer inflation fell from 13.3 per cent. in 2008 to 10.1 per cent. in 2009. However, the current account deficit increased by 21.7 per cent. from 8.7 per cent. of GDP in 2008 to 13.1 per cent. in 2009 and total public debt as a percentage of GDP more than doubled from 12.9 per cent. in 2008 to 32.6 per cent. in 2009. Following a 26.8 per cent. decrease in foreign reserves from U.S.$4.2 billion in 2007 to U.S.$3.1 billion in 2008, foreign reserves increased by 84.7 per cent. to U.S.$5.7 billion in 2009 as a result of the stand-by programme with the IMF.

In January 2010, a new oil supply agreement was reached with Russia. As a result, Russian crude oil exported to Belarus became subject to the full export duty, except for the portion identified for domestic consumption which will be provided duty-free. The Government plans to implement a number of measures to address the impact of the increased cost of oil imports. See "– *Fuel and Energy – Oil*". Without offsetting measures, however, the new oil supply agreement may result in an increased current account deficit of up to U.S.$2 billion or 4 per cent. of GDP in 2009 and an increase in the fiscal deficit.

Effects of the Global Economic Crisis

Belarus's economy started experiencing the effects of the global economic crisis at the end of 2008. As a result of a deterioration of the trade balance, increased pressure on foreign exchange rates for the Belarusian ruble and other fiscal difficulties created by the economic slowdown, Government consumption contracted throughout 2009. Following decreased export demand and a considerable build-up of industrial inventories in 2008, Belarus's industrial output declined sharply beginning in the final quarter of 2008. In 2009 as a whole, industrial production contracted by 2.8 per cent. as compared to 2008.

In order to address its increasing balance of payments deficit, in January 2009 Belarus obtained a U.S.$2.5 billion 15-month stand-by programme with the IMF, which was increased to U.S.$3.63 billion in June 2009. As of 1 April 2010, an aggregate amount of U.S.$3.45 billion had been loaned to Belarus under the stand-by arrangement in five tranches. The provision of the stand-by programme by the IMF was conditional upon Belarus meeting certain quantitative targets and implementing a number of structural changes. To meet these targets the steps taken by Belarus included the devaluation of the Belarusian ruble, changing the peg for the Belarusian ruble from the U.S. dollar to a basket of currencies, increasing the band in which the exchange rate is fixed, a series of steady increases to the refinancing rate and slowing wage and pension growth. See "*Monetary and Financial System – Monetary and Exchange Rate Policy" and "Monetary and Financial System – Interest Rates"*. The structural changes included reform in the financial sector and a greater commitment to privatisation. As at the end of December 2009, all quantitative and continuous performance criteria and structural benchmarks that were set under the IMF stand-by programme had been met by Belarus and other commitments under the programme had been largely implemented. However, the IMF has noted that Belarus's progress in implementing structural reforms has thus far been mixed, with financial sector reform having been accelerated but privatisation reforms experiencing delays.

During 2008 and 2009 the Government adopted a number of measures aimed to stimulate the economy, boost international competitiveness and encourage FDI. In particular, the Government introduced reforms in the areas of state asset disposals, adopting a new privatisation plan for 2008–2010 allowing privatisation of a larger number of state enterprises, reduced state regulation of the economy, real estate with amendments to legislation on leasing allowing non-residents to participate in leasing activities, liberalisation of price regulation and anti-monopoly legislation and reducing the tax burden on businesses and individuals by introducing flat profit and income tax rates, reducing the tax on motor vehicles and excluding certain production assets from real estate tax. The Government also simplified procedures for registration, licensing and liquidation of enterprises, and introduced measures to stimulate development of innovative technologies, such as software development, biotechnologies and scientific research. In the World Bank "Doing Business 2010" report, Belarus was recognised as one of the countries most actively pursuing reforms of its business and investment sectors and reducing regulation of business activity. As a result, Belarus's overall ranking for the ease of doing business in the country was raised from 85th in 2009 to 58th in 2010.

Despite the global economic crisis, investment growth remained strong until the first quarter of 2009, at 19.1 per cent., but has slowed since that time as the Government has begun to cut back on direct lending to Belarusian state enterprises in 2010 pursuant to its agreement with the IMF. Net exports, although still negative, started to improve at the end of 2009 as regional economic stabilisation reduced the pace of the contraction of exports, whereas declining domestic consumption continued to constrain imports.

Belarusian banks did not have investments in financial instruments connected with the United States mortgage loan market, and the significant decreases in asset values which affected the global capital markets generally did not affect Belarusian banks. However, the crisis did reduce the availability of credit and had an adverse impact on the ability of Belarusian banks to attract new external loans and refinance existing loans. See "*Monetary and Financial System – Banking Sector*".

Belarus recorded negative economic growth in the second and third quarters of 2009. Belarus's economy moved out of recession in the final quarter of 2009, with real GDP growth of 1.8 per cent. for the quarter, and Belarus's industrial output began to recover in the first quarter of 2010.

Gross Domestic Product

Between 2005 and 2008, the average annual increase of Belarus's GDP in real terms was approximately 9.6 per cent. Real GDP growth slowed significantly in 2009 due to the effects of the global economic crisis. In the first quarter of 2009, the growth rate of GDP slowed to 1.1 per cent. per annum, and in the second and third quarters of 2009 Belarus recorded negative economic growth. As a result, Belarus's real GDP for 2009 as a whole was only 0.2 per cent.

The following table sets out information on Belarus's GDP in real terms for each of years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
Nominal GDP, total					
At current prices, Br millions	65,067,117.0	79,266,985.0	97,165,282.0	129,790,773.0	136,789,788
At current prices, U.S.$ millions	30,210.2	36,961.9	45,275.9	60,755.2	48,983.1
Real GDP growth, total	9.4	10.0	8.6	10.2	0.2
Nominal GDP, per capita					
At current prices, Br millions	6.7	8.1	10.0	13.4	14.2
At current prices, U.S.$ thousands	3.1	3.8	4.7	6.3	5.1
Real GDP growth per capita	10.0	10.5	8.9	10.5	0.4

Source: National Statistical Committee

The following table sets out the structure and growth rates of GDP from the expenditure side:

	2005 GDP (Br millions)	2005 Structure (per cent.)	2005 Nominal growth (per cent.)	2006 GDP (Br millions)	2006 Structure (per cent.)	2006 Nominal growth (per cent.)	2007 GDP (Br millions)	2007 Structure (per cent.)	2007 Nominal growth (per cent.)
Final consumption expenditure	47,351.4	71.4	25.0	56,028.2	71.6	18.3	68,340.5	71.7	22.0
of which:									
households	32,954.6	49.7	21.3	39,792.3	50.9	20.7	49,174.6	51.6	23.6
general government	13,524.4	20.4	35.4	15,225.1	19.4	12.6	17,998.1	18.9	18.2
non profit institutions serving households	872.4	1.3	17.5	1,010.8	1.3	15.9	1,167.8	1.2	15.5
Gross capital formation	18,518.4	27.9	32.3	25,511.4	32.6	37.8	33,125.5	34.7	29.8
of which:									
gross fixed capital formation	17,253.6	26.0	30.1	23,511.2	30.0	36.3	30,486.9	32.0	29.7
changes in inventories	1,264.8	1.9	71.0	2,000.2	2.6	58.1	2,638.6	2.7	31.9
Net exports of goods and services	462.8	0.7	–	(3,307.4)	(4.2)	–	(6,090.1)	(6.4)	84.1
Statistical discrepancy	(1,265.5)		–	1,034.8		–	1,789.4		–
GDP	65,067.1		31.6	79,267.0		21.8	97,165.3		22.6

	2008 GDP (Br millions)	2008 Structure (per cent.)	2008 Nominal growth (per cent.)	2009 GDP (Br millions)	2009 Structure (per cent.)	2009 Nominal growth (per cent.)
Final consumption expenditure	88,883.6	69.6	30.1	99,110.4	72.9	11.5
of which:						
households	66,244.4	51.9	34.7	74,795.4	55.0	12.9
general government	21,447.9	16.8	19.2	22,846.9	16.8	6.5
non profit institutions serving households	1,191.3	0.9	2.0	1,468.1	1.1	23.2
Gross capital formation	48,855.4	38.3	47.5	52,402.6	38.5	7.3
of which:						
gross fixed capital formation	43,225.2	33.9	41.8	50,500.3	37.1	16.8
changes in inventories	5,630.2	4.4	113.4	1,902.3	1.4	(66.2)
Net exports of goods and services	(10,025.0)	(7.9)	64.6	(15,558.4)	(11.4)	55.2
Statistical discrepancy	2,076.8		16.1	835.2		(59.8)
GDP	129,790.8		33.6	136,789.8		5.4

Principal Sectors of the Economy

The following table illustrates the breakdown of the public sector and private sector in Belarus as percentages of the total GDP:

	As at 31 December 2005	2006	2007	2008	2009
			(percentages)		
Public sector	45.0	44.1	42.4	41.4	38.6
Private sector[1]	55.0	55.9	57.6	58.6	61.4
of which private sector with State participation	19.2	19.2	19.0	18.4	19.6
Total GDP[2]	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Committee

Note:

(1) Includes companies with foreign investment.

(2) Excludes net taxes on products. See table below for information on net taxes.

The following table sets out Belarus's GDP by economic sector and as a percentage of gross value added ("**GVA**") for each of the years indicated:

	2005			2006			2007			2008			2009		
	Br billions[(1)]	*per cent. of GVA*	*Real growth*[(2)]	*Br billions*[(1)]	*per cent. of GVA*	*Real growth*[(2)]	*Br billions*[(1)]	*per cent. of GVA*	*Real growth*[(2)]	*Br billions*[(1)]	*per cent. of GVA*	*Real growth*[(2)]	*Br billions*[(1)]	*per cent. of GVA*	*Real growth*[(2)]
Agriculture	5,113.9	9.1	2.0	6,238.0	9.1	6.3	7,283.4	8.7	4.7	10,223.1	9.2	8.8	10,645.0	9.1	1.5
Construction	4,500.3	8.0	18.6	6,320.7	9.2	25.7	8,290.7	9.9	19.4	12,052.7	10.9	24.1	14,653.8	12.5	20.0
Industry	18,509.2	33.1	13.2	22,321.6	32.5	13.1	26,327.4	31.6	6.7	36,389.5	32.8	14.0	34,600.1	29.4	(1.2)
Trade and catering	6,128.9	11.0	15.2	7,943.6	11.6	18.3	10,087.1	12.1	10.1	13,937.7	12.6	14.9	14,672.3	12.5	(3.3)
Transport	4,806.7	8.6	2.8	5,655.1	8.2	3.1	6,998.8	8.4	3.3	8,707.3	7.8	1.9	9,080.0	7.7	(9.1)
Communication	1,365.3	2.4	31.4	1,775.3	2.6	23.0	2,072.0	2.5	16.5	2,633.0	2.4	19.1	3,183.3	2.7	13.1
Other activities[(3)]	15,524.1	27.7	4.3	18,405.7	26.8	2.3	22,329.8	26.8	2.2	27,004.4	24.3	0.7	30,656.4	26.1	1.7
GVA	55,948.4	100.0	9.7	68,660.0	100.0	10.4	83,389.2	100.0	6.8	110,947.7	100.0	10.2	117,490.9	100.0	1.5
Net taxes on products	9,118.7		7.7	10,607.0		7.3	13,776.1		19.8	18,843.1		10.4	19,298.9		(7.3)
GDP	65,067.1		9.4	79,267.0		10.0	97,165.3		8.6	129,790.8		10.2	136,789.8		0.2

Source: National Statistical Committee

Note:

(1) Nominal value.

(2) Rate of real annual growth, percentage.

(3) Includes warehousing, procurement, information and computer services, real estate, commercial activities, geology, public utilities, health care, education, culture, science, finance, credit, insurance and general administration.

Industry

The industrial sector in Belarus includes the fuel and energy subsector, heavy machinery manufacture and metallurgy, the food subsector, the chemical and petrochemical subsector, construction materials subsector, light industry and the timber, woodworking and pulp and paper subsector. The industrial sector produces both industrial and consumer goods. The industrial sector accounted for 25.3 per cent. of Belarus's GDP in 2009, as compared to 28.0 per cent. of GDP in 2008. The industrial sector was the main driver of growth in Belarus's economy from 2005 through to 2008, with real growth rates of 13.2 per cent., 13.1 per cent., 6.7 per cent. and 14.0 per cent. in each of the years from 2005 to 2008, respectively. The slower growth in 2007 resulted from a sharp increase in gas prices.

The majority of large industrial enterprises are State-owned. The following table illustrates the shares of the public sector and private sector in the industrial sector measured by output at current prices for the years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
			(percentages)		
Public sector	35.6	34.4	35.1	35.0	29.1
Private sector[(1)]	64.4	65.6	64.9	65.0	70.9
of which private sector with State participation	47.6	47.9	45.4	45.0	55.2
Total output	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Committee

Note:

(1) Includes companies with foreign investment.

The fuel and energy, heavy machinery manufacture and metallurgy, chemical and petrochemical and light industry subsectors consume large quantities of imported resources, mainly from the CIS countries (and predominantly Russia). In turn, the markets of these countries (together with the EU in the case of Poland, Lithuania, Germany, Czech Republic, Hungary and France) are the main consumers for these finished products. The food, construction materials and timber, woodworking and pulp and paper subsectors are focused mainly on domestic demand and use domestic raw materials.

The heavy machinery manufacture and metallurgy subsector produces heavy machinery, trucks, equipment, vehicles, appliances and spare parts. Production in 2009 decreased as a result of the global economic crisis by 25.7 per cent. as compared to 2008. From 2005 to 2008 production increased by 58.4 per cent. due to general growth of demand in the domestic and external markets for such goods during that period and a Government focus on support for and the development of agriculture as well as the modernisation of Belarus's transport infrastructure. The largest companies in this sector include Open Joint-Stock Company Minsk Automobile Plant (MAZ), Production Association Minsk Tractor Works (MTZ), Open Joint-Stock Company Minsk Motor Works (MMZ), Production Association Gomselmash, Open Joint-Stock Company Bobruisk-Agromash, Production Association Minsk Gear Works, Open Joint-Stock Company Mozyr Machine Building Plant, Open Joint-Stock Company Brestselmash and Open Joint-Stock Company Lidselmash.

Production in the food subsector in 2009 increased by 2.4 per cent. as compared to 2008. In 2006 and 2007, production decreased compared to the previous periods primarily due to a reduction in the production of sugar and reduced exports of meat products. The largest companies in this sector include Open Joint-Stock Company Krinitsa, Open Joint-Stock Company Triple, Joint Open Joint-Stock Company Kommunarka, Open Joint-Stock Company Olivaria Brewery, Joint Limited Liability Company Darida and Closed Joint-Stock Company Minsk Plant of Soft drinks.

The chemical and petrochemical subsector includes crude oil refining, motor gasoline, jet, diesel and heating fuel production, and the production of plastic and related products and mineral fertilisers. Production in 2009 increased by 34.7 per cent. as compared to 2008. From 2005 to 2008, production grew steadily, although from January 2007 production of oil-based products slowed as a result of the increased cost of oil imports due to increased Russian export duties. The main companies in this sector are Open Joint-Stock Company Mozyr Oil Refinery, Open Joint-Stock Company Gradno Azot, Open Joint-Stock Company Gomel Chemical Plant, Open Joint-Stock Company Naftan, Open Joint-Stock Company Mogilevkhimvolakno and Republican Unitary Enterprise "Production Amalgamation Belaruskali".

The construction materials subsector produces construction equipment, machinery and construction materials for industrial and residential construction, road works and public utilities. Production in 2009 decreased as a result of the global economic crisis by 3.4 per cent. as compared to 2008. From 2005 to 2008 production increased by 55.7 per cent. due to an increase in the level of infrastructure investment during this period as well as implementation of various state programmes relating to residential construction. From 2006 to 2010, 100 investment projects have been implemented in the construction materials industry which resulted in an increase in production levels of the main construction materials. In addition, a substantial number of businesses have upgraded their equipment, which has improved the quality and reduced imports of certain construction materials.

The light industry subsector produces textile, leather and fur products. Production in 2009 decreased as a result of the economic crisis by 9.2 per cent. as compared to 2008. From 2005 to 2008 production increased only by 9.5 per cent. This low level of growth is attributed to increased competition in the light industry subsector in international markets. In order to increase the competitiveness of Belarusian products in this subsector the Government has provided support to assist in the technical modernisation of the major enterprises in this subsector.

The timber, woodworking and pulp and paper subsector produces wood, paper, cellulose, furniture, matches and plywood. Production in 2009 decreased as a result of the global economic crisis by 20.2 per cent. as compared to 2008. From 2005 to 2008 production increased by 37.9 per cent. due to substantial levels of capital investment and an increase in the production of furniture.

Please see "– *Fuel and Energy – Electricity*" below for a discussion of the electricity generation subsection.

Trade and Catering

Trade and catering are principally private sector industries. The trade and catering sector accounted for 10.7 per cent. of Belarus's GDP in 2009 and 2008. 11,633 catering organisations were operating in Belarus in 2009. These organisations included canteens (43.3 per cent. of the total); cafes, bars and fast food outlets (29.4 per cent. of the total); restaurants (3.9 per cent. of the total); mini-cafes and cafeterias (11.1 per cent. of the total) and others (12.3 per cent. of the total). In 2009, these catering organisations had aggregate turnover of Br 2.7 trillion (approximately U.S.$961.2 million, a decrease of 1.9 per cent. as compared to 2008. This compares with turnover of Br 1.3 trillion (approximately U.S.$593.5 million), Br 1.57 trillion (approximately U.S.$733.2 million), Br 1.90 trillion (approximately U.S.$882.7 million) and Br 2.4 trillion (approximately U.S.$1,139.4 million) in 2005 to 2008, respectively.

Construction

There have been a number of positive changes in the development of Belarus's construction sector since 2000. The number of construction businesses increased from 3,968 in 2000 to 5,291 in 2007 and to 6,157 as at 1 January 2010. The total area of residential property, under all forms of ownership, increased from 4.09 million square metres in 2006 to 5.81 million square metres in 2009. The construction sector accounted for 10.7 per cent. of Belarus's GDP in 2009, as compared to 9.3 per cent. of GDP in 2008. Unlike many other sectors of the economy, the construction sector grew in 2009 due to completion of certain major projects, but growth slowed in the first quarter of 2010. From 2005 to 2008 the construction sector grew at a similar pace to other sectors of the economy.

Currently the framework for the Government's support of the construction sector is set out in the State programme for the development of the materials used and technical base of the construction industry for 2006–2010. The main goals of the programme include procuring construction of required volumes of residential and social housing and industrial facilities, modernisation and increasing the capacity of businesses involved in large-panel building construction and improving methods and technologies used in residential and social construction.

Transport

By virtue of its geographical position, Belarus is at the centre of the basic transport routes that connect Western Europe with the East and the regions of the Black Sea coast with the countries of the Baltic Sea. In 2009, the transport sector accounted for approximately 6.6 per cent. of GDP, as compared to 6.7 per cent. of GDP in 2008. From 2005 to 2007 the transport sector's share of GDP remained relatively constant and accounted for 7.4 per cent., 7.1 per cent and 7.2 per cent. of GDP in each of 2005 to 2007, respectively. Real growth rates increased slightly over this period and were 2.8 per cent., 3.1 per cent. and 3.3 per cent, in each of 2005 to 2007, respectively. The decrease of the transport sector's share of GDP in 2008 and 2009 was primarily due to the impact of the global economic crisis, which resulted in a reduction in the volume of goods and services transported from EU member states to Russia and other CIS states through Belarus and *vice versa*. In addition, growth in personal transport in Belarus reduced demand for public transportation services. The global economic crisis and a reduced demand for public transportation services also affected the real growth rate. The real growth rate in the transport sector decreased in 2008 to 1.9 per cent. from 3.3 per cent. in 2007. In 2009, the transport sector recorded a negative real growth rate of 9.1 per cent. Belarus's transportation infrastructure includes:

- pipelines for the transportation of natural gas, oil, gasoline and diesel fuel across Belarus's territory;
- a well-developed network of railways, part of which is included into international transport corridors No. 2 and No. 9, and roads;
- air routes from Minsk which reach 19 foreign countries; and
- navigable internal waterways in Belarus.

Given the importance of Belarus's transport routes for Belarus's economy, maintaining transport infrastructure is an important priority for the Government.

Investment in the maintenance and modernisation of the transport infrastructure is financed through the relevant enterprises operating in the transportation sector and the Consolidated Budget. In 2009, expenditure under the Consolidated Budget for the maintenance of Belarus's railway amounted to approximately Br 2 trillion (approximately U.S.$0.7 billion). Maintenance of Belarus's road networks was also financed under the Consolidated Budget, but the amounts were relatively small. Maintenance of the oil and gas pipelines networks in 2009 was financed by the relevant enterprises operating the respective networks.

In 2010, planned investments in the railway and oil and gas networks is estimated at approximately Br 1.2 trillion (U.S.$386.6 million) and Br 552.5 billion (U.S.$178 million), respectively. Investments in the development of Belarus's road network from 2006 to 2015 is estimated at approximately Br 3.34 trillion (U.S.$1,076.0 million), at 2006 prices. These amounts include both funds allocated under the Consolidated Budget and other sources of financings.

Communication

Belarus has completed the modernisation of its international and long-distance telecommunications networks through the replacement of analogue telephone exchanges with digital ones. A television broadcasting network has been created so that the entire population can receive at least one channel of Belarusian television, 98 per cent. receive two channels, 91.8 per cent. receive three, 81.1 per cent. receive four, and 63.9 per cent. receive five or more. The coverage of Belarus's mobile telecommunications networks has expanded and there are now four providers of these services. Higher growth rates of communications services resulted in the growth of the communication sector's share of GDP from 2.0 per cent. in 2008 to 2.3 per cent. in 2009. From 2005 to 2008, the communication sector's share of GDP remained relatively constant and accounted for 2.1 per cent., 2.2 per cent., 2.1 per cent. and 2.0 per cent. of GDP, respectively. In 2005 and 2006, several new mobile communications operators made significant investments in the development of mobile telecommunications networks, which resulted in high real growth rates of 31.4 per cent. and 23.0 per cent. in 2005 and 2006, respectively. In 2007 to 2009, the communications sector recorded real growth rates of 16.5 per cent., 19.1 per cent. and 13.1 per cent., respectively. The slower growth rate in 2009 was due to the impact of the global economic crisis.

Agriculture

More than 2.4 million residents, representing 25.5 per cent. of the population of Belarus, live in rural areas. Approximately 432,000 persons, or 9.3 per cent. of employed persons in Belarus, were employed in the agricultural industry in 2009. The agricultural sector accounted for 7.8 per cent. of Belarus's GDP in 2009, as compared to 7.9 per cent. of GDP in 2008.

Following the disintegration of the Soviet Union and the economic disruption experienced in Belarus in the early 1990s, agricultural production and exports of agricultural and food products from Belarus contracted sharply. Beginning in 2000, as a result of measures supporting large agricultural enterprises, agricultural production gradually started to grow again. In parallel, the Government began to encourage greater agricultural specialisation, placed more emphasis on modernisation of equipment and introduced more advanced agricultural technologies. These measures proved to be successful in restoring profitability of the majority of agricultural enterprises. For example, whilst in 2000 1,005 agricultural enterprises in Belarus incurred losses (45.0 per cent. of the total number of agricultural businesses), in 2009 only 23 agricultural enterprises incurred losses (1.4 per cent. of the total number of agricultural businesses in Belarus).

From 2005, the Government started to implement a State programme for the revitalisation and development of rural areas. The programme provided for subsidies for the purchase and application of organic and mineral fertilisers to improve the fertility of lands, lime treatment of sour lands and measures relating to the effective use of ameliorative systems. Emphasis has been placed on innovative solutions, reconstruction and modernisation of the agricultural sector and upgrading tractors and machinery of agricultural enterprises. The implementation of the programme resulted in an increase in the annual level of grain production to 8.5 million tonnes in 2009 compared to 6.4 million tonnes in 2005, an increase in the annual level of milk production to 6.6 million tonnes in 2009 compared to 5.7 million tonnes in 2005 and an increase in the annual level of meat production to over 1.3 million tonnes in 2009 compared to 1.0 million tonnes in 2005. The aggregate growth in the Belarusian agricultural sector in real terms from 2005 to 2009 was 25.4 per cent. In 2009, as a result of the global economic crisis, real growth in the Belarusian agricultural sector was 1.5 per cent.

Privatisation in the agricultural sector began in 2004. However, the number of privatised businesses remains low. In Belarus, land generally belongs to the State and such land cannot be sold into private ownership. In certain exceptional cases, the President can transfer land into private ownership to an investor if such investor is important for the economy. In the majority of cases, the land is leased to private companies.

To ensure further development of the agricultural sector and an increase in exports, key priorities for the Government include improving the quality of production and reforming Belarus's certification system to improve the competitiveness of Belarusian agricultural and food products in international markets.

Fuel and Energy

The fuel and energy sector forms a key component of Belarus's national economy and includes the extraction, transportation, storage, manufacture and distribution of gas, oil and oil derivatives, solid fuels and electrical and thermal energy. Intensive development of the sector took place in the 1960s and 1970s with the construction of power plants, electricity and heating networks, and gas and oil pipelines to create a solid energy base for developing all other parts of the economy, particularly the heavy machinery manufacture and metallurgy and chemical and petrochemical subsectors.

Belarus does not possess any significant reserves of its own fuel and energy resources, with approximately 88 per cent. of the total demand for fuel and energy (equivalent to approximately 23 per cent. of GDP) coming from imports.

The development of the fuel and energy sector is being carried out in accordance with the basic long term energy policy of Belarus. Organising energy imports in the most rational way, increasing energy efficiency, diversifying fuel types and suppliers and promoting self reliance are key to the stable development of Belarus's economy. The priorities are sustainable energy and oil product supplies to the national economy and population as well as increased energy efficiency in order to lower the cost of energy supplies. The fuel and energy sector faces the task of reducing the economic risks connected with dependence on deliveries of energy. In parallel, there is a focus on maintaining the level of domestic energy supplies for Belarus's fuel and energy sector including alternative and renewable energy sources. See "*Risk Factors – Risks Relating to Belarus – A deterioration in Belarus's relations with Russia could adversely affect the supply of energy resources to Belarus and Russian investment in Belarus and therefore have a negative effect on Belarus's economy*".

Oil

The main oil pipelines from Russia to EU member states run through Belarus, and over 30 per cent. of Russia's crude oil exports are delivered through Belarus.

Belarus's oil refining industry has benefited for many years from preferentially priced crude oil imports from Russia. The subsidy element of the rate of duty has been gradually falling and Belarus and Russia have had a number of disputes regarding the level of duty to be imposed on Russian crude oil exports to Belarus.

In January 2010, Belarus and Russia agreed on changes to an earlier oil supply agreement. Based on the new agreement, Russia will impose the full export duty on crude oil exported to Belarus, except for the portion identified for domestic consumption which will be provided duty-free. For 2010, it is agreed that the volume for domestic consumption will be 6.3 million tonnes, subject to a review by 1 October 2010. The agreement is valid through December 2010 and will be automatically extended, unless it is terminated by one of the parties.

Belarus has disputed the applicability of export duty over exports of crude oil and oil-based products from Russia to Belarus taking into account provisions of the treaty establishing the Belarus-Russian customs union dated 6 January 1995, the Union Treaty and other bilateral agreements between Belarus and Russia and in April 2010 filed a claim against Russia in the Economic Court of the Commonwealth of Independent States. The court has accepted the claim and requested further information from the parties. At a preliminary hearing held in June 2010, the court considered information presented by the parties and ruled that the first substantive hearing is to be held on 7 September 2010.

The Belarusian authorities continue to negotiate certain arrangements under the new agreement. In particular, the authorities are negotiating the terms of a tolling arrangement that has the potential to improve profitability of Belarusian oil refineries. Under such an arrangement, a Russian company would be able to export crude oil to Belarus duty-free and have the oil refined in Belarusian oil refineries before exporting the resulting oil products. Belarusian oil refineries will get a processing fee in return. As of the date of this Prospectus, the terms of the tolling arrangement have not been finalised.

To address the impact of the increased cost of oil imports, the Government adjusted production levels, eliminated export duties on oil products and increased domestic prices for oil products. These measures have allowed the Government to stop subsidising oil refineries, which in turn will help minimise the impact of the oil price changes on the budget.

In July 2009, Russia's oil pipeline monopoly company, Transneft, began construction of the Baltic Pipeline System-2 (BPS-2), designed to diversify Russia's oil exports. The pipeline will run from the Bryansk Region to the northwest Leningrad Region port of Ust-Luga and is designed to transport approximately 50 million tons of Russian crude oil through Baltic ports bypassing Belarus. The pipeline is expected to become operational in 2011. Notwithstanding the construction of this new pipeline, no indication has been given by the Russian government that its construction would decrease the quantity of oil to be delivered to the EU through Belarus. See "*Risk Factors – Risks Relating to Belarus – A deterioration in Belarus's relations with Russia could adversely affect the supply of energy resources to Belarus and Russian investment in Belarus and therefore have a negative effect on Belarus's economy*".

Electricity

The electricity industry is the most important sub-sector within the Belarusian fuel and energy sector. It is one of the leading branches of the economy which traditionally has had high technical and engineering capabilities and is a key element of the economy as a whole. In 2009, Belarus consumed 34.8 billion kilowatt-hours of electricity and 67.8 million giga-calories of heat energy.

During the last five years Belarus has generated between approximately 85 to 94 per cent. of its electricity demands, with the remainder being imported from Russia. Belarus has a long-term electricity supply contract with Russian electricity supplier Inter RAO UES which is valid until 2013. Under the contract, 2.9 billion kilowatt-hours of electricity were imported from Russia in 2009. Prices are linked to electricity prices for internal consumption within Russia. Imports of electricity from Russia are not subject to Russian export duty.

Belarus and the Russian State Atomic Energy Corporation (Rosatom) are currently negotiating the terms for Rosatom's proposed participation in the construction of a nuclear power plant in Belarus. As at the date of this Prospectus, the terms of such participation have not been agreed.

Natural Gas

In 2009, the consumption of natural gas in Belarus was 17.7 billion cubic metres (bcm), a decrease of 3.6 billion bcm compared to 2008. In 2008 and 2007, the consumption of natural gas in Belarus was 21.3 bcm and 20.9 bcm, respectively. Natural gas is used in Belarus in electricity and heat generation (about 60 per cent.), in the chemical and petrochemical industry (about 13 per cent.), for domestic use (about 7 per cent.), and for other internal consumption (about 20 per cent.).

Belarus imports natural gas from Russia. One of the main natural gas pipelines from Russia to the EU, the Yamal-Europe pipeline, runs through Belarus and transports over 20 per cent. of Russia's gas exports. In December 2006, Belarus's national gas transportation network Beltransgaz and the Russian gas monopoly Gazprom reached an agreement on the supply and transit of natural gas between the years 2007 to 2011. The agreement provides for the supply of approximately 69 bcm per year, of which 32 per cent., or 22 bcm, is for internal consumption and approximately 68 per cent., or 47 bcm, is for transit to the EU. In 2009, Belarus purchased 17.6 bcm of natural gas for internal consumption and transited approximately 45 bcm of natural gas. The price of natural gas for internal consumption is set at $101.3 per 1,000 cubic metres in 2007 and is gradually increased throughout the term of the agreement to reach European average prices from 2011.

Natural gas supplied for internal consumption is exempt from the Russian 30 per cent. export duty. Belarus receives payment for natural gas transited to the EU in the form of transit charges. In 2009, such transit charges amounted to U.S.$425 million (excluding VAT).

In June 2010, Belarus and Russia had a dispute regarding the timing of payments due from Belarus to Russia for gas supplied by Russia and from Russia to Belarus for the transit of Russian gas to the EU, which resulted in a disruption of gas flows to the EU. As at the date of this Prospectus, the transit of gas to the EU via Belarus has been resumed in full.

In September 2005, Gazprom, BASF SE and E.ON AG signed a general agreement on the construction of Nord Stream, a new natural gas pipeline that will link Russia and the EU via the Baltic Sea bypassing Belarus. Nord Stream will consist of two parallel lines. The first one, with a transmission capacity of around 27.5 bcm a year is due for completion in 2011. The second line is due to be completed in 2012, doubling annual capacity to around 55 bcm.

Notwithstanding the construction of this new pipeline, no indication has been given by the Russian government that its construction would decrease the quantity of natural gas to be delivered to the EU through Belarus. Furthermore, Belarus and Poland have proposed the construction of the second line of the Yamal-Europe natural gas pipeline, Yamal-Europe 2. Belarus believes that following construction of the second line, natural gas could move more quickly and at less cost than rival projects being considered for diversification of the European energy sector.

See "*Risk Factors – Risks Relating to Belarus – A deterioration in Belarus's relations with Russia could adversely affect the supply of energy resources to Belarus and Russian investment in Belarus and therefore have a negative effect on Belarus's economy*".

Inflation

Before 2008, the Government relied primarily on price controls to reduce inflation. Regulated prices (tariffs) were applied to any goods, or services produced or supplied in Belarus that were intended for domestic consumption. The list of such goods and services was specified by a Presidential edict made in May 1999 and included, amongst other things, essential goods and services such as housing services and utilities, transport, communication, basic food products, medications and medical care. In 2009, the list of regulated goods and services was significantly shortened, and it is expected that the list of goods and services to which price regulation applies will be further reduced in the future. Such steps are expected to be taken gradually in line with growth in real incomes.

Following a period of gradual decline in consumer prices before 2006, inflation noticeably accelerated in 2007 and 2008 to 12.1 per cent. and 13.3 per cent., respectively, due to increases in world energy and food prices and inflation pressures from neighbouring Russia and Ukraine. In 2009, consumer inflation decreased to 10.1 per cent. due to the devaluation of the Belarusian ruble, a downturn in domestic demand, a decrease in world oil prices from the peak levels reached in the middle of 2008, more stringent monetary and fiscal policies and a reduction in household consumption. In April 2010, the inflation rate decreased to 6.6 per cent. on an annualised basis as a result of devaluation of the Belarusian ruble and other measures adopted by the Government to address the impact of the global economic crisis on Belarus. See "– *Effects of the Global Economic Crisis*" above.

The following table shows the levels of the consumer and producer price indices for each of the years 2005 to 2009.

	2005	*2006*	*2007*	*2008*	*2009*
Consumer price index(1)	8.0	6.6	12.1	13.3	10.1
Monthly average(2)	0.6	0.5	1.0	1.0	0.8
Price index of industrial product manufacturers(1)	10.0	9.0	16.8	16.4	11.1
Monthly average(2)	0.8	0.7	1.3	1.3	0.9

Source: National Statistical Committee

Note:

(1) Percentage increase from 1 January to 31 December of relevant year.

(2) Average monthly growth rate of the relevant index.

Employment, Wages, Pensions and Social Security

Wages

Nominal and real wages and salaries increased in Belarus every year from 1996 to 2005. From 2001 to 2005, real wages and salaries more than doubled, and from 2005 to 2009 they increased by 1.7 times.

The following table shows changes in the average nominal and real monthly wages for the years indicated:

	2005		*2006*		*2007*		*2008*		*2009*	
	Br Thousands	*Per cent.(1)*	*Br Thousands*	*Per cent.(1)*	*Br Thousands*	*Per cent.(1)*	*Br Thousands*	*Per cent.(1)*	*Br Thousands*	*Per cent.(1)*
Nominal Monthly Wage	463.7	33.4	582.2	25.5	694.0	19.2	868.2	25.1	981.6	13.1
Real Monthly Wage(2)	–	20.9	–	17.3	–	10.0	–	9.0	–	(0.1)

Source: National Statistical Committee

Note:

(1) Percentage change compared to the previous period.

(2) Percentage change as compared to the previous period is the only indicator used by the National Statistical Committee and the Government.

In 2009 the average nominal monthly wage in Belarus increased by 13.1 per cent. compared to 2008 and amounted to Br 981,584 (approximately U.S.$350.2). Real monthly wages increased by 0.1 per cent. over the same period.

The minimum level of wages and salaries in Belarus is fixed by the Council of Ministers. As from 1 January 2009, the minimum monthly wage was Br 229,700 (approximately U.S.$104.4) and as from 1 January 2010, the minimum monthly wage is Br 258,600 (approximately U.S.$90.5). The current minimum monthly wage equals 101.3 per cent. of the current minimum living standard budget. The minimum living standard budget is based on the price of a basket of essential goods and services determined by the Ministry of Labour and Social Welfare and at the beginning of May 2010, was Br 266,230 (approximately U.S.$89.9).

Set out below is a table showing the nominal monthly average salaries by economic sector for each of the years shown.

	2005	*2006*	*2007*	*2008*	*2009*
			(Br thousands)		
Industry	490.7	617.4	745.6	957.7	1,049.1
Agriculture	286.3	364.3	429.6	563.1	674.7
Construction	561.2	707.7	856.9	1,124.6	1,307.6
Transport	518.8	661.6	767.2	918.3	1,048.7
Communication	543.0	651.4	782.8	977.3	1,149.0
Trade and catering	349.4	447.2	554.4	698.4	816.2
Logistics and sale	482.4	612.8	750.5	922.1	1,068.8
Housing and communal services	454.4	563.5	657.8	802.1	906.2
Healthcare, physical training and social welfare	419.5	523.9	601.2	716.1	796.8
Education	399.4	492.0	548.1	635.2	702.4
Culture	372.3	462.9	535.1	632.8	696.9
Arts	403.2	501.1	577.0	693.6	785.1
Science and scientific servicing	620.8	782.8	994.5	1,246.7	1,390.0
Average salary	463.7	582.2	694.0	868.2	981.6

Source: National Statistical Committee

Employment

Since 1990, the number of persons employed in Belarus's economy has decreased considerably due to reconstruction of the economy following independence. During the period between 1990 and 2004, the number of employed persons decreased by 16.2 per cent. from 5,150,800 to 4,316,300. In 2005, the number of employed persons for the first time increased and amounted to 4,403,000 (2.0 per cent. higher than in 2004). In 2009, the number of employed persons amounted to 4,621,200 (0.6 per cent. higher than in 2008). The number of employed persons has most substantially increased in the trade and construction sectors.

In 2009, the number of employees working reduced hours and on forced leave increased by 2.6 times compared to 2008 and amounted to 356,984 or 7.7 per cent. of employed persons in Belarus. This reflects the fact that many employers have used the reduced hours regime to avoid redundancies during the global economic crisis. As a result, the number of employees made redundant amounted to 874,100 or 95.6 per cent. of the 2008 redundancies. As at 31 December 2009, 40,316 people were registered as unemployed, an increase of 8.1 per cent. compared to 31 December 2008. The registered unemployment rate as at 31 December 2009 was 0.9 per cent. of the economically active population.

The table below shows certain employment data for each of the years indicated:

	2005	*2006*	*2007*[(3)]	*2008*	*2009*
Labour force (economically active population)[(1)], thousands	6,210.2	6,227.9	6,241.4	6,251.6	6,242.1[(4)]
Percentage of labour force in the overall population	63.5	64.0	64.3	64.6	64.6
Employed, thousands[(2)]	4,403.0	4,457.5	4,505.0	4,594.4	4,621.2[(4)]
Unemployed at year end, thousands[(3)]	67.9	52.0	44.1	37.3	40.3
Unemployment rate, percentage of labour force (economically active population) as at year end[(3)]	1.5	1.2	1.0	0.8	0.9

Source: National Statistical Committee

Note:

(1) Labour force includes individuals able to work from the age of 16 until the age of their old age pension eligibility (55 years old for women and 60 years old for men) individuals below the age of 16 in employment and individuals older than the age of the old age pension availability having a job.

(2) From 2005 the definition of an employed person includes independent contractors who have one or more contract jobs. The difference between the total labour force and the percentage of people employed is due to the fact that a certain part of the labour force is not actively looking for employment, such as full-time students, housewives and people who are eligible for an earlier pension than the general age for old age pension eligibility.

(3) Registered unemployment. The definition of an unemployed person includes persons without a job who are capable of working, are looking for a job and registered as unemployed. Many unemployed persons may not register due to the low level of benefits and many enterprises may use reduced hours and forced leave to avoid redundancies.

(4) Estimates.

The number of persons employed in the public and private sectors of the economy are split relatively equally. For a general breakdown of the public and private sectors (including State participation in the private sector) as percentages of GDP see "– *Principal Sectors of the Economy*". The following table sets out the distribution of employed persons among the public and private sectors of Belarus's economy for each of the years indicated:

	2005		*2006*		*2007*		*2008*		*2009*[(1)]	
	Thousands	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*
Public sector	2,285.3	51.9	2,289.2	51.4	2,290.1	50.8	2,298.5	50.0	2,201.3	47.7
Private sector[(2)]	2,117.7	48.1	2,168.3	48.6	2,214.9	49.2	2,295.9	50.0	2,419.9	52.3
Employed total	4,403.0	100.0	4,457.5	100.0	4,505.0	100.0	4,594.4	100.0	4,621.2	100.0

Source: National Statistical Committee

Note:

(1) Estimates.

(2) Includes companies with foreign investment, reformed companies and companies with state participation.

The following table sets out the annual average distribution of persons employed in Belarus's economy among the principal sectors of its economy in the years indicated:

	2005		*2006*		*2007*		*2008*		*2009*[(1)]	
	Thousands	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*	*Thousands*	*Per cent.*
Agriculture	464.2	10.5	454.7	10.2	441.9	9.8	435.1	9.4	432.0	9.3
Construction	342.7	7.8	361.3	8.1	374.1	8.3	398.6	8.7	414.6	9.0
Industry	1,189.4	27.0	1,192.1	26.7	1,209.2	26.9	1,222.4	26.6	1,211.8	26.2
Trade and catering	559.8	12.7	592.3	13.3	611.1	13.6	642.2	14.0	658.3	14.2
Transport and communication	328.5	7.5	335.5	7.5	339.9	7.5	351.8	7.7	351.2	7.6
Other activities[(2)]	1,518.4	34.5	1,521.6	34.2	1,528.8	33.9	1,544.3	33.6	1,553.3	33.7
Employed, total	4,403.0	100.0	4,457.5	100.0	4,505.0	100.0	4,594.4	100.0	4,621.2	100.0
Labour force, total	6,210.2		6,227.9		6,241.4		6,251.6		6,242.1	

Source: National Statistical Committee

Note:

(1) Estimates.

(2) Includes warehousing, procurement, information and computer services, real estate, commercial market activities, geology, health care, education, culture, science, finance, credit, insurance and general administration.

Unemployment Benefits

Prior to 2007, the State Fund for Promotion of Employment (the "**SFPE**") financed unemployment benefits. This Fund was formed from mandatory deductions by employers of 1 per cent. of their wage payments. Since 1 January 2007, these deductions have been suspended to reduce the tax burden on employers, and unemployment benefits have been financed from the resources of the Social Protection Fund (the "**SPF**"), a

State extra-budgetary fund operated by the Ministry of Labour and Social Welfare, following its merger with the SFPE.

The amount of unemployment benefits ranges from 70 per cent. to 200 per cent. of the basic salary rate. In December 2009, the average rate of unemployment benefit was Br 45,044 (approximately U.S.$15) per month or 5 per cent. of the average nominal wage. The duration of unemployment benefits may not exceed 26 calendar weeks within each 12 month period calculated from the date of registration as being unemployed. For unemployed persons that have worked for 25 years or more for men or 20 years or more for women, the duration of unemployment benefits is increased by two weeks for each year of work above these thresholds.

Pensions and Other Benefits

Belarus maintains a fixed payments joint pension system, with the following persons being eligible for an old age pension:

- men having reached the age of 60 who have worked for at least 25 years, including at least five years during which contributions to the SPF were paid; and
- women having reached the age of 55 who have worked for at least 20 years, including at least five years during which contributions to the SPF were paid.

The average pension rate was Br 434,711 (approximately U.S.$152.0), Br 394,139 (approximately U.S.$179.1) and Br 332,564 (approximately U.S.$154.7) at the end of 2009, 2008 and 2007, respectively. Pensions are increased in accordance with legislation in line with increases in average wages and salaries and, for pensions calculated at the minimum rate, in line with the rise in the average cost of living.

Pensions and, since 1 January 2007, unemployment benefits are funded from contributions by employers and employees which are paid to the SPF. In recent years, pension expenses have represented approximately 8 per cent. of GDP. The average pension is approximately 40 per cent. of the average salary.

On 1 January 2004, work-related accident and occupational disease health insurance was introduced in Belarus and is administered by the Belgosstrakh – Belarusian Republican Unitary Insurance Enterprise. Contributions to this insurance are paid by employers.

Governmental Sponsored Social Assistance

According to the Ministry of Labour and Social Welfare, in 2009 5.4 per cent. of Belarus's population belonged to the lowest income group, which represented a 6.1 per cent. improvement as compared to 2008. The lowest income group includes individuals whose average monthly income is below the current monthly minimum living standard budget, starting 1 May 2010 Br 266,230 (approximately equivalent to U.S.$89.9). See "*The Economy of the Republic of Belarus – Employment, Wages, Pensions and Social Security – Wages*". To maintain the income of this group at a guaranteed minimum level, a Government sponsored social assistance system has been functioning in Belarus since 2001, which is in addition to the utility, mortgage interest rate and other subsidies paid by the Government (see "*Public Finance – Consolidated Budget Expenditure"*). During the nine years in which the Government sponsored social assistance system has been operating, more than 1,030,500 persons have received social assistance at a total cost of Br 116.3 billion. The assistance is provided in the form of monthly payments and one-off payments for food, medicine, clothing and certain other items.

FDI and Privatisation

FDI

Attracting FDI is an important priority for the Government. While Belarus's FDI has been steadily growing, there are still certain obstacles to Belarus's efforts to attract FDI, including perceived difficulties in conducting business due to the fact that the economy is continuing to undergo structural reforms. Belarus is seeking to attract further investment through an attractive tax and customs regime, including the creation of six free economic zones (one in each region) where a special tax and customs regime is applicable to residents of such zones. These special tax and customs regimes make it easier for local businesses to achieve higher profitability, which in turn makes such businesses more attractive for foreign investors. Further, the Government has sought to encourage investment in rural areas of Belarus by establishing beneficial tax regulations for such areas.

FDI comprises capital from purchases of shares through direct investment in enterprises, reinvested earnings and inter-company loans.

The following table shows FDI for the periods indicated.

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
			(U.S.$ millions)		
FDI for relevant period(1)	302.5	351.0	1,770.0	2,149.2	1,833.1
FDI (cumulative total)(1)(2)	2,368.9	2,715.8	4,461.9	6,576.6	8,337.7

Source: National Bank

Note:

(1) Based on balance of payments data (FDI inflows less FDI outflows).

(2) Accumulated volume of FDI starting from 1991.

The principal sources of FDI in the period from 2005 to 2009 were privatisation proceeds. In 2009, a significant source of FDI was payments from the Russian gas monopoly Gazprom for the 50 per cent. in Beltransgaz and proceeds from the sale of the 93 per cent. stake in Open Joint-Stock Company BPS Bank ("**BPS Bank**"), Belarus's third-largest bank by assets, to Sberbank (Savings Bank of the Russian Federation) ("**Sberbank**").

The following table shows FDI inflows in Belarus by country of origin for each of the years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
			(percentages)		
Russia	8.7	6.1	16.7	14.4	83.5
European Union	16.7	22.4	33.5	26.4	7.6
of which:					
Cyprus	1.8	3.8	16.3	11.5	2.1
Germany	1.3	2.3	2.1	4.1	1.1
United Kingdom	3.6	3.1	1.6	1.9	1.1
The Netherlands	1.9	2.3	2.0	1.2	0.8
Latvia	2.7	2.2	2.5	1.6	0.6
Austria	1.0	2.4	1.5	1.7	0.1
Switzerland	67.3	66.4	44.2	53.3	7.3
United States	3.3	3.2	2.9	1.6	0.7
Other	4.0	1.9	2.7	4.3	0.9
Total	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Committee

Russia remains the most important investor in the economy of Belarus. FDI inflows sourced from Russia represented 83.5 per cent. of FDI inflows in 2009. The increase of FDI sourced from Russia in 2009 as compared to 2008 resulted from payments of the Russian gas monopoly Gazprom for the stake in Beltransgaz and payments from Sberbank for the stake in BPS Bank. On a cumulative basis, FDI inflows sourced from Russia as at 31 December 2009 amounted to U.S.$905 million in total. As at 31 December 2009, U.S.$478.1 million (52.8 per cent. of the total) of Russian FDI was invested in the transport sector, U.S.$155.5 million (17.2 per cent. of the total) was invested in the trade sector, U.S.$91.2 million (10.1 per cent. of the total) was invested in the industry sector and U.S.$89.9 million (9.9 per cent. of the total) was invested in the real estate. The next largest investor in the economy of Belarus is the EU. FDI inflows sourced from the EU represented 7.6 per cent. of FDI inflows in 2009.

The following table shows FDI inflows in Belarus by the sectors in which FDI has been received for each of the years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
			(percentages)		
Transport	0.6	1.3	6.6	4.2	64.4
Trade and catering	6.0	9.0	5.6	7.8	15.2
General commercial activity(1)	67.4	66.4	47.5	54.1	10.3
Industry	17.0	17.8	17.3	18.9	5.3
Construction	0.8	1.4	1.9	1.6	0.7
Communication	4.9	0.1	11.2	8.1	0.5
Warehousing(1)	0.1	0.5	0.1	0.4	0.4
Agriculture	0.1	0.2	1.7	1.0	0.3
Housing and communal services	0.0	0.0	0.1	0.1	0.0
Other	3.1	3.3	8.0	3.8	2.9
Total	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Committee

Note:

(1) Includes advertising, marketing and other commercial activities.

Belarus is engaged in ongoing consultations with international institutions on how to improve the investment climate and Investment Code of Belarus in order to make the country more attractive to foreign investors.

For 2010, the Government has set a target of attracting U.S.$2.7 billion in FDI. (See "– *FDI and Privatisation – Privatisation*").

Privatisation

Privatisation in Belarus first began in 1991 when the Government adopted a programme which covered all the basic forms of denationalisation and privatisation, including, sales at auction, tenders and the free transfer of shares of relevant enterprises to members of labour collectives in exchange for privatisation vouchers made available to the population.

In Belarus, privatisation is generally a two-stage process. The first stage is the transformation of a state enterprise into an open joint-stock company with 100 per cent. of the shares initially being owned by the State. The second stage involves the sale of some or all of the shares to one or more investors. Privatisation is generally an open process and shares are offered for sale by public tender and auction. Privatisation of state-owned property was one of the most significant steps in the transformation of Belarus from a centralised planned economy and resulted in the formation of a private sector and the creation of a number of market institutions (such as joint-stock companies, banks and insurance companies). However, due to the significance attached to the role of State in the economy, privatisation in Belarus has progressed only slowly.

Belarus has recently prioritised the privatisation process as part of the Government's overall objective of attracting foreign investment and reducing the degree of the Government's involvement in the economy. In March 2008, the Government terminated its "golden share" policy by which it retained the ability to re-take control of privatised (including minority-owned) companies in certain circumstances. Amendments to the law on privatisation were approved by the National Assembly of the Republic of Belarus in June 2010. The amendments provide a framework to abolish privatisation in the form of selling shares to employees of state-owned companies on beneficial payment terms or in exchange for privatisation vouchers and introduce a number of amendments to the privatisation procedure to increase interest among strategic investors in privatisation in Belarus. Also, the National Investment and Privatisation Agency is being established based on the Presidential Decree dated 25 May 2010. The function of the Agency is to liaise with investors and improve the investment climate. Currently the Government is consulting with the World Bank and other bodies to ensure that new legislation complies with the best international practices.

Currently Belarus is in the process of implementing a privatisation plan for state enterprises for the years 2008 to 2010, which envisages transformation into joint-stock companies and subsequent privatisation of approximately 470 enterprises. Certain Belarusian enterprises are not subject to privatisation and the list of these enterprises currently includes approximately 750 enterprises in sectors considered to be of strategic importance, including the national security and energy sectors. It is expected that with time, this list will be shortened as part of the overall liberalisation process in Belarus.

The following table shows the number of reformed and privatised entities in Belarus:

	2005	*2006*	*2007*	*2008*	*2009*
Number of reformed entities(1)	41	12	12	191	229
Number of privatised entities(2)	5	4	1	3	3

Source: State Property Committee

Note:

(1) Former state enterprises that have been transformed into joint-stock companies in which all shares are still owned by the State.

(2) Generally, an enterprise is considered privatised if at least a 50 per cent. stake has been sold by the State.

For information on the total value of receipts from the privatisation in 2005 to 2008, see "*Public Finance – Consolidated Budget*".

Belarus has reformed over 4,500 State assets in preparation for privatisation. Over 2,100 open joint-stock companies have been created, and over 1,400 state assets have been sold by tender or at auction. Currently, the State owns shares in almost 1,700 open joint-stock companies. To attract investment into the national economy, Belarus continues to sell its equity stakes in open joint-stock companies. For this purpose, the Government updates on an annual basis (and sometimes more often if required) the privatisation plan so that it includes an up-to-date list of companies whose shares are to be offered for sale.

Notable recent privatisations include the sale of a 50 per cent. stake in the Belarusian natural gas transportation network Beltransgaz and the sale of a 93 per cent. stake in BPS Bank. In 2007, the Government sold a 50 per cent. stake in Beltransgaz to the Russian gas monopoly, Gazprom, for a total price of U.S.$2.5 billion. Annual instalments of U.S.$625 million paid by Gazprom were an important source of budget revenues in 2007, 2008 and 2009. The final annual instalment was paid in February 2010. In December 2009, President Lukashenko approved the sale of a 93 per cent. stake in BPS Bank to Russia's state-owned Sberbank for U.S.$281 million. In addition, as part of the sale, Sberbank has also committed to providing U.S.$2 billion in credit to Belarusian companies by 2014. This agreement is expected to further increase Russia's role in Belarus's economy. In 2007 and 2008, significant privatisations included a sale of a 30 per cent. stake in Belarusian-Cypriot joint venture Limited Liability Company "Mobile Digital Communications" to the Cypriot-based SB Telecom Limited, and a sale of an 80 per cent. stake in Belarusian Telecommunications Network to Beltel Telekomunikasyon Hizmetleri A.S., a Turkish telecommunications company.

In July 2009 the Government approved in principle the sale of a controlling stake in Open Joint-Stock Company Belinvestbank. The Government also approved in principle the sale of minority stakes in Open Joint-Stock Company ASB Belarusbank and Open Joint-Stock Company Belagroprombank. As at the date of this Prospectus, investors have not yet been identified and the terms of any sale have not been finalised.

The Government is considering the sale of certain large industrial assets, including minority stakes in chemical plants in Homel and Grodna, during 2010. In total, the Government plans to privatise 133 enterprises in 2010, including several major enterprises in the heavy machinery manufacture subsector, the construction, the agricultural and the transport industries.

From 1991, when privatisation first began, until 31 December 2009, the majority of the privatisations were in the trade and catering sectors. Out of 4,555 enterprises reformed during that period, 1,319 enterprises, or

29 per cent. of the total number, were in the trade, 849 enterprises, or 18.6 per cent., were in the agricultural sector, 670 enterprises, or 14.7 per cent., were in the industry, 471 enterprises, or 10.3 per cent., were in the household services sector, 313 enterprises, or 6.9 per cent., were in construction, 258 enterprises, or 5.7 per cent., were in the catering industry, and 675, or 14.8 per cent., were in other industries.

As at the date of this Prospectus, more than half of the enterprises operating in Belarus are in private ownership, by value of output at current market prices. However, the public sector continues to account for the majority of economic activity, representing approximately 60 per cent. of GDP in 2009.

The increase in privatisation rate from 2005 to 2008 is a result of the following factors:

- a larger number of enterprises having been transformed into open joint-stock companies, which is a necessary step for privatisation in the case of most remaining enterprises;
- general improvement of the regulatory environment for doing business in Belarus and gradual liberalisation of the economy; and
- the introduction of less stringent requirements to be used when selecting those investors who are prepared to modernise existing facilities, create new jobs and improve conditions for workers.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The table below sets out Belarus's balance of payments for each of the years indicated.

	2005	*2006*	*2007*	*2008*	*2009*
			(U.S.$ millions)		
I. Current account balance	435.5	(1,448.4)	(3,032.2)	(5,262.4)	(6,401.9)
1. Trade balance	341.8	(1,531.5)	(2,811.6)	(4,667.5)	(5,548.3)
export	18,181.5	22,235.5	27,625.5	36,991.8	24,829.4
import	(17,839.7)	(23,767.0)	(30,437.1)	(41,659.3)	(30,377.7)
1.1 Goods, balance	(637.6)	(2,269.0)	(4,041.8)	(6,236.8)	(6,971.3)
export (in FOB prices)	16,108.8	19,834.7	24,361.7	32,804.7	21,339.0
import (in FOB prices)	(16,746.4)	(22,103.7)	(28,403.5)	(39,041.5)	(28,310.3)
1.2 Services, balance	979.4	737.5	1,230.2	1,569.3	1,423.0
export	2,072.7	2,400.8	3,263.8	4,187.1	3,490.4
import	(1,093.3)	(1,663.3)	(2,033.6)	(2,617.8)	(2,067.4)
2. Incomes, balance	(71.0)	(120.8)	(411.1)	(787.6)	(1,110.7)
credit	168.4	246.6	275.5	396.6	240.7
debit	(239.4)	(367.4)	(686.6)	(1,184.2)	(1,351.4)
3. Current transfers, balance	164.7	203.9	190.5	192.7	257.1
credit	266.8	316.6	350.2	423.1	488.8
debit	(102.1)	(112.7)	(159.7)	(230.4)	(231.7)
II. Capital and financial account	(5.2)	1,747.6	5,333.3	4,285.9	8,311.6
1. Capital account	40.5	74.3	92.2	137.0	151.3
credit	134.7	165.0	199.9	272.9	261.4
debit	(94.2)	(90.7)	(107.7)	(135.9)	(110.1)
2. Financial account	(45.7)	1,673.3	5,241.1	4,148.9	8,160.3
2.1 Direct investment	302.5	351.0	1,770.0	2,149.2	1,833.1
assets	(2.5)	(3.0)	(15.2)	(8.9)	(27.4)
liabilities	305.0	354.0	1,785.2	2,158.1	1,860.5
2.2 Portfolio investment	(41.5)	(26.4)	(38.8)	5.3	20.1
assets	(2.9)	(1.7)	(41.2)	4.8	17.8
liabilities	(38.6)	(24.7)	2.4	0.5	2.3
2.3 Financial derivatives	(0.2)	(12.9)	0.0	0.0	0.0
assets	1.6	0.1	0.0	0.0	0.0
liabilities	(1.8)	(13.0)	0.0	0.0	0.0
2.4 Other investment	(306.5)	1,361.6	3,509.9	1,994.4	6,307.1
assets	(492.1)	(165.7)	(1,931.7)	(477.0)	(540.8)
liabilities	185.6	1,527.3	5,441.6	2,471.4	6,847.9
2.4.1 Commercial (trade) credit and advances	(545.7)	157.5	690.2	289.1	656.6
Assets	(300.6)	(410.0)	(806.9)	(95.4)	(620.5)
Liabilities	(245.1)	567.5	1,497.1	384.5	1,277.1
2.4.2 Loans	305.9	1,127.7	3,540.6	2,084.8	4,270.0
Assets	6.8	(43.5)	(174.0)	140.5	(38.4)
Liabilities	299.1	1,171.2	3,714.6	1,944.3	4,308.4
2.4.3 Currency and deposits	(86.0)	32.2	(612.9)	(255.7)	371.5
Assets	(189.5)	258.9	(785.7)	(300.6)	151.9
Liabilities	103.5	(226.7)	172.8	44.9	219.6
2.4.4 Other	19.3	44.2	(108.0)	(123.8)	1,009.0
Assets	(8.8)	28.9	(165.1)	(221.5)	(33.8)
Liabilities	28.1	15.3	57.1	97.7	1,042.8
III. Errors and omissions	108.9	(300.6)	477.0	(26.3)	533.2
IV. Total balance	539.2	(1.4)	2,778.1	(1,002.8)	2,442.9
V. Financing	(539.2)	1.4	(2,778.1)	1,002.8	(2,442.9)
Changes to foreign reserve assets[1]	(539.2)	1.4	(2,778.1)	1,002.8	(2,442.9)

Source: National Bank

Note:

(1) Foreign reserve assets are calculated based on the Special Data Dissemination Standard of the IMF.

Current Account

Belarus's current account deficit has been increasing since 2006, primarily due to increasing prices for imported energy resources. See "*The Economy of the Republic of Belarus – Fuel and Energ*y". Although the global economic crisis has reduced consumer demand and therefore reduced imports, Belarus's export markets were more significantly adversely affected and, as a result, the trade balance deteriorated further in 2009 compared to 2008.

In 2009, the current account deficit increased by 21.7 per cent. to U.S.$6,401.9 million, representing 13.1 per cent. of GDP, in 2009, as compared to U.S.$5,262.4 million deficit in 2008, representing 8.7 per cent. GDP in 2008. The main reasons for the deterioration of the current account from 2008 to 2009 were an increase in the foreign trade deficit (including goods and services) by 18.9 per cent. in 2009 as compared to 2008 and an increase in the net income deficit by 41.0 per cent. in 2009 compared to 2008 as a result of the global economic crisis, a decrease in export volumes and oil prices, and an increase in gas prices. Net services decreased by 9.3 per cent. to U.S.$1,423.0 million in 2009 as compared to 2008.

Capital and Financial Account

In 2009, Belarus recorded a capital and financial account surplus of U.S.$8,311.6 million, an increase of 93.9 per cent. as compared to 2008, primarily as a result of net FDI inflows of U.S.$1,833.1 million and U.S.$2.8 billion of loans from the IMF and bilateral loans of approximately U.S.$1.2 billion from Russia and China. Net inflow of FDI in the amount of U.S.$1,833.1 million financed approximately 29 per cent. of the current account deficit in 2009. Commercial (trade) credits in 2009 amounted to U.S.$656.6 million, which was 2.3 times higher than in 2008. Credit and loans increased to U.S.$4,270 million, a two-fold increase as compared to 2008, including the above IMF and bilateral loans. Currency and deposits transactions resulted in net capital inflows of U.S.$371.5 million, compared to the deficit of U.S.$255.7 million in 2008. As a result of the financing attracted in 2009, the overall balance of payments was positive in 2009.

Foreign Trade

The following table shows Belarus's trade balance by principal geographic area during the period from 2005 to 2009:

	2005	*2005 compared to 2004, per cent.*	*2006*	*2006 compared to 2005, per cent.*	*2007*	*2007 compared to 2006, per cent.*	*2008*	*2008 compared to 2007, per cent.*	*2009*	*2009 compared to 2008, per cent.*
	(U.S.$ millions, except percentages)									
Volume of foreign trade in goods	32,687.4	108.0	42,084.9	128.7	52,968.4	125.9	71,952.1	135.8	49,845.8	69.3
Export	15,979.3	116.0	19,733.7	123.5	24,275.3	123.0	32,570.8	134.2	21,282.2	65.3
Import	16,708.1	101.3	22,351.2	133.8	28,693.1	128.4	39,381.3	137.2	28,563.6	72.5
Balance	(728.8)		(2,617.5)		(4,417.8)		(6,810.5)		(7,281.4)	
of which turnover with CIS states	18,202.8	94.8	23,120.5	127.0	30,237.1	130.8	40,317.4	133.3	27,528.7(1)	68.4
Export	7,060.3	96.5	8,608.8	121.9	11,221.4	130.3	14,360.2	128.0	9,314.0	65.0
Import	11,142.5	93.8	14,511.7	130.2	19,015.7	131.0	25,957.2	136.5	18,214.7	70.2
Balance	(4,082.2)		(5,902.9)		(7,794.3)		(11,597.0)		(8,900.7)	
of which turnover with Russia	15,834.0	89.4	19,944.4	126.0	26,083.5	130.8	34,059.3	130.6	23,431.0	68.8
Export	5,715.8	88.1	6,845.3	119.8	8,878.6	129.7	10,551.9	118.8	6,713.9	63.6
Import	10,118.2	90.2	13,099.1	129.5	17,204.9	131.3	23,507.4	136.6	16,717.1	71.1
Balance	(4,402.4)		(6,253.8)		(8,326.3)		(12,955.5)		(10,003.2)	
of which turnover with non-CIS states	14,484.6	130.9	18,964.4	130.9	22,731.3	119.9	31,634.7	139.2	22,317.1	70.5
Export	8,919.0	138.2	11,124.9	124.7	13,053.9	117.3	18,210.6	139.5	11,968.2	65.7
Import	5,565.6	120.8	7,839.5	140.9	9,677.4	123.4	13,424.1	138.7	10,348.9	77.0
Balance	3,353.4		3,285.4		3,376.5		4,786.5		1,619.3	

Source: National Statistical Committee

Note:

(1) Georgia withdrew from the CIS in August 2009. Georgia is not included in foreign trade with CIS states in 2009 but is included in foreign trade with CIS states in 2005 to 2008.

In 2009, the volume of foreign trade for Belarus was U.S.$49.9 billion, a decrease of 30.7 per cent. compared to 2008. Trade with CIS states amounted to U.S.$27.5 billion or 55.2 per cent. of the total, and trade with non-CIS states was U.S.$22.4 billion or 44.8 per cent. of the total. The volume of foreign trade with CIS states in 2009 decreased by 31.6 per cent. as compared to 2008 and by 29.6 per cent. for non-CIS states.

The following table shows exports of goods by country of destination in the years indicated:

	2005		*2006*		*2007*		*2008*		*2009*	
Country of destination	*Amount, millions U.S.$*	*per cent. of total exports*	*Amount, millions U.S.$*	*per cent. of total exports*	*Amount, millions U.S.$*	*per cent. of total exports*	*Amount, millions U.S.$*	*per cent. of total exports*	*Amount, millions U.S.$*	*per cent. of total exports*
Russia	5,715.8	35.8	6,845.3	34.7	8,878.6	36.6	10,551.9	32.4	6,713.9	31.5
European Union	7,129.8	44.6	9,087.6	46.1	10,612.0	43.7	14,168.8	43.5	9,288.7	43.6
of which:										
Netherlands	2,408.3	15.1	3,494.5	17.7	4,277.3	17.6	5,408.2	16.6	3,680.3	17.3
Latvia	322.6	2.0	462.0	2.3	990.2	4.1	2,141.0	6.6	1,658.5	7.8
Germany	708.5	4.4	752.8	3.8	731.1	3.0	812.0	2.5	986.9	4.6
Poland	847.3	5.3	1,032.8	5.2	1,226.2	5.1	1,798.4	5.5	823.4	3.9
United Kingdom	1,120.4	7.0	1,474.9	7.5	1,528.9	6.3	1,415.5	4.4	799.4	3.8
Lithuania	351.8	2.2	432.7	2.2	564.5	2.3	619.2	1.9	370.8	1.7
Ukraine	907.8	5.7	1,234.0	6.2	1,469.8	6.1	2,777.9	8.5	1,693.1	8.0
India	197.5	1.2	112.9	0.6	102.0	0.4	313.8	1.0	487.8	2.3
Brazil	167.5	1.1	207.4	1.1	371.1	1.5	1,073.7	3.3	449.8	2.1
Kazakhstan	183.5	1.1	259.4	1.3	361.4	1.5	365.2	1.1	313.4	1.5
Other	1,677.4	10.5	1987.1	10.0	2,480.4	10.2	3,319.5	10.2	2,335.5	11.0
Total	15,979.3	100.00	19,733.7	100.00	24,275.3	100.00	32,570.8	100.00	21,282.2	100.00

Source: National Statistical Committee

The distribution of Belarusian exports by country of destination remained relatively constant in the period from 2005 to 2009. The export of goods from Belarus in 2009 amounted to U.S.$21.3 billion, including U.S.$9.3 billion of exports to CIS states (of which U.S.$6.7 billion was to Russia). U.S.$12 billion of goods were exported to non-CIS states. Exports decreased by 34.7 per cent. in actual prices in 2009 as compared to 2008. Exports to CIS states decreased by 35 per cent. in 2009 as compared to 2008 and exports to non-CIS states decreased by 34.4 per cent.

The EU and the Russian Federation remained the main markets for Belarusian exports in 2009, having 43.6 per cent. and 31.5 per cent. shares of total exports, respectively, in 2009.

Prior to June 2007, Belarus enjoyed trade preferences under the GSP, a trade arrangement through which the EU provides preferential access to the EU market to developing countries and territories, in the form of reduced tariffs for their goods when entering the EU market. In June 2007, these trade preferences were withdrawn due to Belarus's failure to comply with its International Labour Organisation obligations relating to freedom of association for workers. The removal of the GSP tariffs does not prevent Belarus's exports to the EU. The removal reinstates the standard tariffs applied to goods exported to the EU, which represents a difference of 3 per cent. as compared to the GSP tariffs. The Government is working on implementing recommendations made by the International Labour Organisations to have the trade preferences re-instated. The next review by the International Labour Organisation of Belarus's compliance with its obligations is scheduled for June 2010.

The table below shows the classification of exports by principal type of goods in the years indicated:

Type of goods exported	*2005* *Value (U.S.$ millions)*	*per cent. of total exports*	*2006* *Value (U.S.$ millions)*	*per cent. of total exports*	*2007* *Value (U.S.$ millions)*	*per cent. of total exports*	*2008* *Value (U.S.$ millions)*	*per cent. of total exports*	*2009* *Value (U.S.$ millions)*	*per cent. of total exports*
Agricultural and food products	1,328.6	8.3	1,483.5	7.5	1,814.9	7.5	2,221.3	6.8	2,291.1	10.8
Chemical products	1,536.0	9.6	1,589.9	8.1	2,105.6	8.7	4,579.6	14.1	2,632.8	12.4
Machinery and equipment	1,437.4	9.0	1,717.0	8.7	2,316.6	9.5	2,665.6	8.2	1,700.9	8.0
Non precious metals(1)	1,195.0	7.5	1,496.9	7.6	1,954.5	8.1	2,562.1	7.9	1,458.1	6.9
Oil products, fuel, petrochemical and mineral products	5,557.1	34.8	7,558.7	38.3	8,512.8	35.1	12,089.9	37.1	7,970.9	37.5
Plastic and related products	333.7	2.1	459.5	2.3	566.8	2.3	656.7	2.0	546.6	2.6
Textile products	939.0	5.9	996.7	5.1	1,124.7	4.6	1,202.2	3.7	952.1	4.5
Transport vehicles	1,656.5	10.3	2,052.9	10.4	2,886.0	11.9	3,221.8	9.9	1,440.8	6.7
Other	1,996.0	12.5	2,378.6	12.0	2,993.3	12.3	3,371.6	10.3	2,288.9	10.6
Total	15,979.3	100.0	19,733.7	100.0	24,275.2	100.0	32,570.8	100.0	21,282.2	100.0

Source: National Statistical Committee

Note:

(1) Includes steel, cast iron, copper and other non-precious metals.

The composition of Belarusian exports by principal type of goods remained relatively constant in the period from 2005 to 2009. The main goods exported by Belarus in 2009 were: oil products, fuel and mineral products (37.5 per cent. of the total), chemical and petrochemical products (12.5 per cent. of the total), agricultural and food products (10.8 per cent. of the total), machinery and equipment (8 per cent. of the total), non-precious metals (6.9 per cent. of the total) and transport vehicles (6.7 per cent. of the total).

The following table shows imports of goods by country of origin in the years indicated:

Country of origin	*2005* *Amount, millions U.S.$*	*per cent. of total imports*	*2006* *Amount, millions U.S.$*	*per cent. of total imports*	*2007* *Amount, millions U.S.$*	*per cent. of total imports*	*2008* *Amount, millions U.S.$*	*per cent. of total imports*	*2009* *Amount, millions U.S.$*	*per cent. of total imports*
Russia	10,118.2	60.6	13,099.1	58.6	17,204.9	60.0	23,507.4	59.7	16,717.1	58.5
European Union	3,606.2	21.6	5,039.8	22.5	6,242.0	21.7	8,541.9	21.7	6,550.1	22.9
of which:										
Czech Republic	99.4	0.6	139.5	0.6	197.3	0.7	336.0	0.8	238.2	0.8
Netherlands	161.3	1.0	220.0	1.0	250.3	0.9	364.0	0.9	232.1	0.8
Germany	1,121.1	6.7	1,672.0	7.5	2,171.4	7.6	2,791.7	7.1	2,215.8	7.8
Poland	578.9	3.5	765.9	3.4	819.1	2.8	1,154.9	2.9	786.9	2.7
Italy	393.5	2.4	498.3	2.2	638.1	2.2	871.9	2.2	708.4	2.5
France	176.1	1.0	270.6	1.2	345.6	1.2	560.9	1.4	392.6	1.4
United Kingdom	144.1	0.9	184.8	0.8	189.4	0.7	270.2	0.7	256.4	0.9
Ukraine	893.9	5.3	1,223.7	5.5	1,534.3	5.4	2,115.1	5.4	1,289.4	4.5
China	284.1	1.7	553.6	2.5	815.8	2.8	1,414.8	3.6	1,081.4	3.8
United States	231.9	1.4	283.4	1.3	392.2	1.4	484.1	1.2	429.7	1.5
Other	1,573.8	9.4	2,151.6	9.6	2,503.9	8.7	3,318.0	8.4	2495.9	8.8
Total	16,708.1	100.00	22,351.2	100.00	28,693.1	100.00	39,381.3	100.00	28,563.6	100.00

Source: National Statistical Committee

The distribution of Belarusian imports by country of origin remained relatively stable in the period from 2005 to 2009. In 2009, imported goods amounted to U.S.$28.6 billion. U.S.$18.2 billion represented imports from CIS states, of which U.S.$16.7 billion came from Russia. U.S.$10.4 billion of goods were imported from non-CIS states. The total volume of imports decreased by 27.5 per cent. in 2009 as compared to 2008, including a 29.8 per cent. decrease from CIS states and a 23 per cent. decrease from non-CIS states.

A significant portion of Belarus's imports (34.1 per cent. of the total) consist of oil and gas from Russia.

The table below shows the classification of imports by principal type of goods in the years indicated:

Type of goods imported	*2005* *Value (U.S.$ millions)*	*per cent. of total imports*	*2006* *Value (U.S.$ millions)*	*per cent. of total imports*	*2007* *Value (U.S.$ millions)*	*per cent. of total imports*	*2008* *Value (U.S.$ millions)*	*per cent. of total imports*	*2009* *Value (U.S.$ millions)*	*per cent. of total imports*
Agricultural and food products	1,751.1	10.5	2,088.1	9.3	2,277.2	7.9	3,035.5	7.7	2,333.8	8.2
Chemical products	1,160.2	6.9	1,581.1	7.1	1,807.1	6.3	2,543.1	6.5	2,053.4	7.2
Crude oil, fuel, petrochemical and mineral products	5,525.6	33.1	7,323.6	32.8	10,087.7	35.2	13,967.6	35.5	11,293.4	39.5
Machinery and equipment	2,585.1	15.5	3,592.5	16.1	4,664.1	16.3	6,276.8	15.9	4,432.9	15.5
Non precious metals	1,915.7	11.5	2,621.0	11.7	3,427.5	11.9	4,860.2	12.3	2,509.2	8.8
Plastic and related products	579.0	3.5	821.2	3.7	1,038.8	3.6	1,341.9	3.4	999.4	3.5
Textile products	480.1	2.9	539.4	2.4	622.1	2.2	765.5	1.9	568.8	2.0
Transport vehicles	969.0	5.8	1,450.5	6.5	1,960.1	6.8	2,719.8	6.9	1,647.7	5.8
Other	1,742.3	10.3	2,333.8	10.4	2,808.5	9.8	3,870.9	9.9	2,725.0	9.5
Total	16,708.1	100.0	22,351.2	100.0	28,693.1	100.0	39,381.3	100.0	28,563.6	100.0

Source: National Statistical Committee

Note:

(1) Includes steel, cast iron, copper and other non-precious metals.

The composition of Belarusian imports remained relatively constant in the period from 2005 to 2009. The main goods imported by Belarus in 2009 were: crude oil, fuel and mineral products (39.5 per cent. of the total), machinery and equipment (15.5 per cent. of the total), non-precious metals (8.8 per cent. of the total), agricultural and food products (8.2 per cent. of the total), chemical and petrochemical products (7.2 per cent. of the total) and transport vehicles (5.8 per cent. of the total).

Foreign Trade Protection Measures

As at the date of this Prospectus, 14 restrictive measures were in force in different countries against goods manufactured in Belarus. These included nine anti-dumping and five special protective measures to protect national producers in those countries.

The majority of these measures are in force in Ukraine (three anti-dumping and three special protective measures), the EU (three anti-dumping measures), India (two anti-dumping measures), the United States (one anti-dumping measure), Moldova (one special protective measure) and Kyrgyzstan (one special protective measure). The measures apply to certain categories of fibre products, cotton textile products, steel pipes, matches, acrylic fiber, cord fabric, steel fittings and certain other products.

Currently, there are three special protective investigations in Ukraine in relation to glass, refrigerators and fertilisers, and one anti-dumping investigation in Ukraine in relation to automobile tyres. Also, two existing anti-dumping measures (in Ukraine and India) are being reviewed.

Currently, the Government is working on the reduction of trade barriers with respect to exports of Belarus's industrial goods, as well as stimulating sales through leasing arrangements and a reduction of rental rates for leasing arrangements with respect to the purchase of Belarusian goods.

MONETARY AND FINANCIAL SYSTEM

The National Bank of the Republic of Belarus

The National Bank was established as the central bank of Belarus in December 1990 following the enactment of the Belarusian laws entitled "On the National Bank of the Republic of Belarus" and "On Banks and Banking Activities in the Republic of Belarus". The National Bank was established on the basis of the Belarusian Republican Bank of the USSR State Bank, which had represented the Belarusian banking system prior to independence.

The National Bank is a central bank and a government body of Belarus, which carries out its activities in accordance with the Constitution, the Statute of the National Bank, the Bank Code, relevant Belarusian legislation and regulations passed by the President. The National Bank is accountable to the President. The Statute of the National Bank sets out provisions relating to its status as a legal entity, its functions, its operations, the organisation of its activities, its property and its governing bodies. In particular, the Statute of the National Bank provides that the National Bank's objectives are to:

- protect the Belarusian ruble and to ensure its stability;
- regulate and supervise banks and other non-banking credit institutions;
- develop and strengthen the banking system of Belarus; and
- ensure that Belarus's payment system functions in an efficient, reliable and secure manner.

The governing body of the National Bank is the Board of the National Bank. The number of the Board members is determined by the President. Currently the Board comprises nine members. Each member of the Board of the National Bank is appointed by the President (and approved by the Council of the Republic). The duties of the Board of the National Bank include:

- reviewing and submitting, in concert with the Government, the monetary policy guidelines for the forthcoming year;
- approving the annual performance report of the National Bank;
- establishing, with the agreement of the President, the rate of foreign capital participation in the banking system; and
- making decisions regarding the regulation of credit relations and money circulation, establishment of settlement procedures and foreign exchange regulation.

Measures in Response to the Global Economic Crisis

In response to the global economic crisis, the Government has undertaken a series of measures designed to stabilise the economy as a whole and the banking sector in particular.

In September 2008, the National Bank increased the quota for foreign capital participation in the banking sector from 25 per cent. to 50 per cent. to attract foreign investment. In November 2008, the President issued a decree guaranteeing individuals' deposits in Belarusian banks. The guarantee covers individuals' funds in Belarusian rubles and foreign currencies placed in current and/or term deposit accounts with Belarusian banks. The decree provided for 100 per cent. reimbursement of funds in the currency of the account in the event the National Bank revokes the license of the relevant bank.

In July 2009 the Government approved in principle the sale of a controlling stake in Open Joint-Stock Company Belinvestbank. As at the date of this Prospectus, a buyer has not yet been identified and the terms of any sale have not been finalised. In December 2009, the Government approved the sale of a 93 per cent. stake in Open Joint-Stock Company BPS Bank to Russia's state-owned Sberbank for U.S.$281 million. The Government also approved in principle a sale of minority stakes in Open Joint-Stock Company ASB Belarusbank and Open Joint-Stock Company Belagroprombank. As at the date of this Prospectus, investors have yet not been identified and the terms of any sale have not been finalised. The anticipated sales are part of Belarus's general policy to increase foreign investments and foreign capital participation in the banking sector. Open Joint-Stock Company Belinvestbank, BPS Bank, Open Joint-Stock Company ASB Belarusbank and Open Joint-Stock Company Belagroprombank represent together 78 per cent. of the banking system by assets and maintaining their financial solvency is an important priority for the Government.

In January 2009, to address the balance of payments deficit, devaluations of the currencies of some of Belarus's foreign trade partners and to support the competitiveness of Belarusian exports and following the recommendations of the IMF, the National Bank devalued the Belarusian ruble by approximately 20 per cent. At the same time, starting from January 2009, the National Bank changed from fixing the exchange rate of the Belarusian ruble against the US dollar to fixing the exchange rate of the ruble against a currency basket including the US dollar, the Euro and the Russian ruble (in equal proportions). See "– *Monetary and Exchange Rate Policy*".

Starting from January 2009, the National Bank increased the minimum capital requirements for banks from the equivalent of €10 million to the equivalent of €25 million to improve public confidence in the banking sector and maintain the stability of the banking sector. The state guarantee of deposits and increased capital requirements are believed to have largely prevented an outflow of deposits from the Belarusian banking sector.

Continuing the above stabilisation measures and support for the banking system of Belarus remain the key objectives for the Government and the National Bank for 2010.

Special Financial Agency

The Government has used its control of State-owned banks to disburse loans to other State-owned enterprises under various government programmes as non-budgetary expenditure and financed such loans where necessary through National Bank liquidity support on non-market terms. As of 31 December 2009, the total amount of such loans was Br 31,699.9 billion and amounted to 49.8 per cent. of total loans in the Belarus banking sector.

As part of Belarus's stand-by programme with the IMF and following the IMF's recommendation, the Government is currently in the process of establishing a Special Financial Agency (the "**SFA**"). Initially, the SFA is expected to take over the management of these loans already disbursed. Removing such loans from state-owned banks' balance sheets is intended to improve the banks' liquidity and capital adequacy ratios and make all of the banks more attractive for investors. It is also intended to reduce the funding needs of the banks concerned.

The SFA is expected to start operating later in 2010. The National Bank no longer intends to provide liquidity support on anything other than market terms and the Government will refinance banks in line with the repayment schedule of the above loans until the SFA is established. Beginning in 2011, the SFA is also expected to start distributing new loans under government programmes from funds allocated for this purpose in the central government budget. See "*Risk Factors – Risks Relating to Belarus – Belarus's economy remains vulnerable to external shocks, including the current global economic crisis, oil price increases, banking sector exposure and shocks that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, all of which could have a material adverse effect on Belarus's economic growth*".

Monetary and Exchange Rate Policy

The Belarusian ruble was introduced as the official currency of Belarus in May 1992. On 1 January 2000, the Belarusian ruble was redenominated at a rate of 1,000 old Belarusian rubles to one new Belarusian ruble.

The National Bank's principal objective for its monetary policy is to protect the Belarusian ruble and to ensure its stability, including maintaining its purchasing power and exchange rate to foreign currencies. In order to achieve these aims, in 2006 and 2007 the National Bank adopted a system of intermediary monetary targets including targets based on the exchange rate of the Belarusian ruble. From 2005 to 2008, the exchange rate of the Belarusian ruble was formally pegged to the U.S. dollar and the Russian ruble, although in practice during this period the value of the Belarusian ruble was determined by the value of the U.S. dollar. At the beginning of 2009, the National Bank changed from pegging the exchange rate of the Belarusian ruble to the US dollar and the Russian ruble, to pegging the exchange rate of the ruble to a currency basket including the US dollar, the Euro and the Russian ruble (in equal proportions). This change allowed the National Bank greater flexibility to respond to foreign currency price fluctuations. The move to shadow the US dollar and the Euro was motivated by the importance of such currencies in foreign economic operations, as seen in the volumes of such currencies traded in the domestic money market and by the size of the savings in these currencies of the population. The move to shadow the Russian ruble as an intermediary monetary target is based on the Russian Federation being Belarus's most important foreign trading partner, its main market for non-raw material exports and its main supplier of manufacturing resources.

In 2009, monetary policy was conducted in a more difficult macroeconomic environment than in previous years as a result of the global economic crisis and its effects on Belarus's economy, which resulted in a deterioration in the balance of payments, increased strains in the foreign currency market and a slowdown of economic activity. Monetary policy in 2009 was aimed at preserving stability in the banking system and in the foreign currency market. The main objectives of the National Bank were to maintain sustainable dynamics in the exchange rates of the Belarusian ruble and to ensure adequate conditions for sustainable growth of Belarus's economy. Following a 20 per cent. devaluation of the Belarusian ruble in January 2009 to address the balance of payments deficit, devaluation of the currencies of some of Belarus's foreign trade partners and to support the competitiveness of Belarusian exports and following the recommendations of the IMF, there was a temporary acceleration of consumer price inflation. However, inflationary pressures have substantially decreased since the second quarter of 2009, primarily due to measures that have been taken to tighten monetary policy and slower growth of real wages.

The exchange rate policy in 2009 was aimed at preserving the stability of the Belarusian ruble. In June 2009, the National Bank established less restrictive limits for exchange rate fluctuations against the currency basket to allow itself greater flexibility in responding to market conditions. As a result, the Belarusian ruble exchange rate weakened against the currency basket by 7.9 per cent. during 2009 (without taking into account the devaluation). During the same period, the Belarusian ruble weakened against the U.S. dollar by 8.0 per cent., against the Euro by 10.9 per cent. and against the Russian ruble by 5.0 per cent. (without taking into account the devaluation). Taking into account the devaluation, the Belarusian ruble exchange rate weakened again the U.S. dollar by 30.1 per cent., against the Euro by 33.4 per cent. and against the Russian ruble by 5.0 per cent.

The following table sets out average official exchange rates of the Belarusian ruble to the indicated currencies for the years from 2005 to 2009:

	2005	*2006*	*2007*	*2008*	*2009*
Exchange Rate			*(Br)*		
U.S. dollar	2,153.81	2,144.56	2,146.06	2,136.29	2,792.54
Euro	2,681.49	2,692.07	2,937.06	3,134.80	3,885.38
Russian ruble	76.14	78.9	83.91	86.17	88.06

Source: National Bank

As at 1 July 2010, the official rates of exchange of the Belarusian ruble were: Br 1,025.01 to the currency basket, Br 3,020.0 to the U.S. dollar, Br 3,690.7 to the Euro and Br 96.6 to the Russian ruble.

Liquidity and Money Supply

To regulate the money supply and the liquidity of the banking sector, the National Bank uses permanently available instruments (such as overnight credit, fixed rate deposits and swaps), and engages in two-way operations (lombard credit and two-way swaps) and open market operations (lombard auctions, direct and indirect sale and repurchase operations, issuance of short-term bonds and deposit auctions).

Open market operations are conducted by way of auctions, both for the provision and withdrawal of liquidity.

The following table sets out the monetary indices as at 31 December 2005, 2006, 2007, 2008 and 2009.

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
Index	*(Br billions)*				
Cash in circulation (M_0)	2,016	2,818	3,323	3,836	3,647
Active monetary aggregates in Belarusian rubles (M_1)	4,946	7,023	8,740	10,718	11,342
Monetary aggregates in Belarusian rubles (M_2)	8,595	12,416	16,765	20,542	20,737
Rate of growth as compared to previous year (per cent.)	59.0	44.0	35.0	23.0	1.0
Broad monetary aggregates (M_3)	12,571	17,506	24,506	30,961	38,107
Rate of growth as compared to previous year (per cent.)	42.0	39.0	40.0	26.0	23.0
M_3 to GDP (per cent.)	19.3	22.1	25.2	23.9	27.9
Monetary base	4,159	4,984	6,896.3	7,702.7	6,829.5
Deposits in Belarusian rubles	6,449	9,503	12,409.3	16,000.1	16,544.3
Current	2,929	4,205	5,416.7	6,882.2	7,694.8
Term	3,520	5,298	6,992.5	9,117.9	8,849.5
Deposits in foreign currency	3,952	5,051	7,670.3	10,204.4	16,214.1
Current	1,860	2,285	2,874.1	3,402.1	4,748.1
Term	2,092	2,766	4,796.2	6,802.3	11,466.0
Credit advanced by banks	12,465	19,658	28,975.9	44,765.3	63,639.6

Source: National Bank

From 2006 to 2008, all four monetary indices grew. Beginning in 2009, the monetary indices were affected by the global economic crisis and the macroeconomic situation. As a result, cash in circulation (M0) declined and M1 and M2 increased by only small percentages. This was largely due to a decrease in sales of goods and services in both domestic and export markets, an increase in inventories, the negative balance of foreign trade and the growing demand for foreign currency from the Belarusian population as a result of growing inflation and the devaluation of the Belarusian ruble which occurred in early 2009. The devaluation of the Belarusian ruble also contributed to M3 growing by 23 per cent. in 2009, only slightly less than the 26 per cent. growth in 2008.

Foreign Reserves

Belarus's foreign reserves consist largely of foreign currency reserves principally held in deposit accounts with banks outside Belarus or invested in securities and treasury bills issued by non-Belarusian issuers, gold holdings, SDRs (IMF special drawing rights) and other assets. Belarus calculates its foreign reserve assets on the basis of the Special Data Dissemination Standard of the IMF.

The table below sets out total foreign reserve assets held by the National Bank as at the dates indicated:

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
	(U.S.$ millions)				
Foreign exchange	1,105.6	1,067.2	3,866.2	2,605.5	2,519.9
Gold[(1)]	190.0	314.4	230.0	374.1	821.1
SDRs	0.0	0.0	0.0	1.0	578.4
Other assets[(2)]	0.9	1.3	86.0	80.5	1,733.1
Total foreign reserve assets	1,296.5	1,382.9	4,182.2	3,061.1	5,652.5

Source: National Bank

Note:

(1) Gold was valued per ounce at U.S.$513.0; U.S.$635.7; U.S.$846.8; U.S.$865.0 and U.S.$1,104.0 as at 31 December 2005, 2006, 2007, 2008 and 2009 respectively.

(2) Including assets such as reverse repos, funds in trusts and accrued interest.

Foreign reserve assets grew significantly each year from 2005 to 2007. In 2008, Belarus's foreign reserves decreased by 26.8 per cent. as compared to 2007 due to the need to cover the current account deficit in that year. To address the decrease in foreign reserves, the Government has intensified its efforts to attract foreign investment and financing from the IMF and the IBRD. In particular, in January 2009, Belarus obtained U.S.$2.5 billion under a stand-by programme with the IMF. The facility was subsequently increased and, as at 31 December 2009, U.S.$2.8 billion had been loaned to Belarus. As a result of these borrowings, foreign reserves in 2009 increased by U.S.$2,591.4 million, or by 84.7 per cent. compared to 2008. In the beginning of 2010, foreign reserves increased further and amounted to U.S.$6,045.8 million as at 1 May 2010. This increase resulted from the disbursement of the final tranche under the stand-by programme with the IMF.

As at 31 December 2009, Belarus's foreign reserves were equal to 2.2 months of imports of goods and services. The Government's objective for 2010 is to increase the reserves to cover 3 months of imports of goods and services.

Interest Rates

The global economic crisis has severely impacted general levels of liquidity in Belarus and the availability of credit as well as the terms on which such credit is available. Commercial loans became more expensive and the average interest rate in 2009 reached 21.1 per cent. per annum. In comparison, the average refinancing rate of the National Bank in 2009 was 13.9 per cent. per annum. As a result, the National Bank's role in financing the Belarus economy has significantly increased in 2009 compared to 2008. In 2009, the average outstanding daily balance of liquidity support provided by the National Bank to banks was Br 2,583 billion, as compared to Br 490.7 billion in 2008.

Interest rate policy in 2009 and to date in 2010 has been aimed at supporting the banking system in light of the increased costs of funding and reduced availability of credit. In order to decrease inflationary pressures after the devaluation of the Belarusian ruble and to attract domestic deposits, the refinancing rate was increased from 12 per cent. to 14 per cent. in January 2009. In 2009, the average interest rate for new Belarusian ruble term deposits was 17.8 per cent. per annum, compared to 11.6 per cent. in 2008 and 10.9 per cent. in 2007. The average interest rate for new foreign currency term deposits was 8.7 per cent. in 2009, compared to 7.0 per cent. in 2008 and 6.6 per cent. in 2007.

The following table shows the average interest rate per annum for new bank loans (excluding interbank lending) for the years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
Average interest rate for loans in national currency	16.4	13.4	14.1	14.4	21.1
Average interest rate for loans in foreign currency	10.8	10.9	12.5	11.7	13.1

Source: National Bank

Beginning in 2010, the situation in the Belarus banking sector began to improve marginally. As a result, in February 2010, the refinancing rate was lowered to 13.0 per cent. from 13.5 per cent. as at 31 December 2009 and was further reduced to 12.5 per cent. in April 2010 and to 12.0 per cent. as at 12 May 2010. This decrease was intended to facilitate the availability of funding to businesses while maintaining the competitiveness of Belarusian ruble term deposits. The reduction of the refinancing rate in 2010 has resulted in a decrease in the average interest rate. In April 2010, the most recent period as at the date of this Prospectus for which official statistics are available, the average interest rate in the national currency reduced to 18.4 per cent. per annum as compared to 21.2 per cent. per annum in January 2010. The National Bank plans to continue to gradually lower the refinancing rate in 2010, depending on the level of inflation and the dynamics of the exchange rates.

The table below shows the average refinancing rate, average rate on new deposits and average rate on new loans (expressed as a percentage rate per annum) in the years from 2005 to 2009:

Index	*2005*	*2006*	*2007*	*2008*	*2009*
			(per cent.)		
Refinancing rate	13.6	10.7	10.5	10.3	13.9
Rate for new term deposits					
In Belarusian rubles	11.9	9.3	10.9	11.6	17.8
In foreign currency	6.4	6.6	6.6	7.0	8.7
Rate for new loans					
In Belarusian rubles	16.4	13.4	13.7	14.1	20.7
In foreign currency	10.8	10.9	11.3	11.4	13.0

Source: National Bank

Banking Sector

As at 31 December 2009, the banking sector in Belarus comprised 32 active banks of which four were state-owned banks, 26 were banks with some degree of foreign capital participation and, of those 26 banks, nine banks were 100 per cent. foreign-owned. In addition, eight foreign banks have representative offices in Belarus. Banks controlled by the Government held in aggregate 78.5 per cent. of the total assets of the banking sector as at 31 December 2009.

Belarusian banks did not have investments in financial instruments connected with the United States mortgage loan market, and the significant decreases in asset values which affected the global capital markets generally did not affect profit indicators of Belarusian banks. However, the crisis did reduce the availability of credit and had an adverse impact on the ability of Belarusian banks to attract new external loans and refinance existing loans. See "– *Interest Rates*".

In November 2008, the President issued a decree guaranteeing individuals' deposits in Belarusian banks. The guarantee covers individuals' funds in Belarusian rubles and foreign currencies placed in current and/or term deposit accounts with Belarusian banks. The decree provided for 100 per cent. reimbursement of funds in the currency of the account in the event the National Bank revokes the license of the relevant bank.

The following table sets out certain data relating to the banking sector in Belarus as at 31 December for each of the years 2005 to 2009:

			As at 31 December		
	2005	*2006*	*2007*	*2008*	*2009*
Total number of banks[(1)]	30	30	27	31	32
State owned[(2)]	6	5	5	5	4
Partially state owned[(3)]	9	10	11	10	11
No state ownership	15	15	11	16	17
Total equity of banks *(Br billions)*	4,021.3	5,150.2	6,526.8	11,314.1	13,408.6
Total assets of banks *(Br billions)*[(4)]	20,519.8	28,994.4	41,690.2	63,379.8	82,943.0
Total loans to customers (gross)	12,473.0	19,657.8	28,976.6	44,765.9	63,639.9
of which:					
in national currency	7,859.9	13,017.1	18,069.4	30,934.3	44,826.8
in foreign currency	4,613.1	6,640.7	10,907.2	13,831.6	18,813.1
Total provisions for impairment	237.4	332.4	399.5	611.1	1,352.7
Non performing loans *(Br billions)*[(5)]	250.4	225.1	171.4	168.5	406.9

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
Total Deposits	10,404.1	14,556.6	20,083.7	26,205.7	32,759.7
of which:					
in national currency	6,451.4	9,505.6	12,413.0	16,001.1	16,545.4
in foreign currency	3,952.7	5,051.0	7,670.7	10,204.6	16,214.3
Capital adequacy(6)	26.7	24.4	19.3	21.8	19.8

Source: National Bank

Notes:

(1) Excluding those banks which are in the process of being liquidated.

(2) Comprising those banks in which the share ownership of Belarus (being State authorities and legal entities owned by the State) exceeds 50 per cent.

(3) Comprising those banks in which the share ownership of Belarus (State authorities and legal entities based on the State ownership) is less than 50 per cent.

(4) Including those banks which are in the process of being liquidated.

(5) Calculated on the basis of the asset classification rules of the National Bank based on reports submitted by banks.

(6) The minimum capital adequacy ratio in Belarus is 8 per cent. (Regulatory capital to total assets). Regulatory capital includes Tier I capital and Tier II and Tier III (supplementary) capital less capital previously subject to regulatory restrictions, provisions for impairment loses which have been identified as necessary but have not yet been recorded, funds in trust, and issued senior and subordinated loans.

The following table sets out certain data regarding the loan portfolio of the Belarusian banking sector by the type of borrower:

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
Total number of banks	33	32	31	33	33
Total loan, portfolio	12,473.0	19,657.8	28,976.6	44,765.9	63,639.9
of which:					
loans to public sector	2,899.9	4,836.1	6,768.7	10,562.9	16,113.6
loans to private sector(1)	6,293.7	9,356.9	14,241.1	21,614.6	31,572.8
loans to individuals	3,279.4	5,464.9	7,966.7	12,588.4	15,953.5
Non performing loans	179.2	194.9	183.4	280.6	595.6
of which:					
loans to public sector	39.0	41.1	31.4	42.6	99.7
loans to private sector(1)	136.3	148.1	141.4	214.4	401.4
loans to individuals	3.9	5.7	10.6	23.6	94.5

Source: National Bank

Note:

(1) Private sector includes enterprises with State participation. See "*The Economy of the Republic of Belarus – Principal Sectors of the Economy*".

Banking Sector Supervision

The principal document setting out the legislative scope of banking activities within Belarus is the Banking Code adopted in 2000 (the "**Banking Code**"). The Banking Code codifies the fundamental elements of banking supervision in Belarus as well as the rights and responsibilities of the National Bank in respect of its banking regulatory functions.

The National Bank acts as the banking supervisory agency in Belarus. The primary objective of the banking supervision system outlined below is to ensure the stability of, and confidence in, the Belarusian banking system as well as reducing the risk of any losses being incurred by creditors and/or depositors of banks and other non-bank financial institutions in Belarus.

The basic provisions relating to the operation of banks and other financial institutions operating in Belarus are specified in certain regulatory and legal acts of the National Bank, including:

- instructions on procedures for state registration and licensing of banks and non-bank financial institutions approved by the Board of the National Bank in June 2001;
- instructions on prudential regulations for banks and non-bank financial institutions approved by the Board of the National Bank in June 2004;
- procedures for the audit by the National Bank of banks and their activities;
- procedures on prudential supervision that may be applied by the National Bank to banks and non-bank financial institutions in breach of prudential or other mandatory regulations;
- prudential and other mandatory regulations aimed to ensure the stability of banks and non-bank financial institutions; and
- instructions on procedures for the creation and use of a special reserve for possible losses on the assets of a bank and non-bank financial institution subject to credit risk.

The current banking supervision system in Belarus comprises the following stages:

1. procedures for registering and licensing banks and non-bank financial institutions;
2. off-site supervision based on submitted balance sheets and financial statements, prudential reporting, audit reports and other relevant information;
3. on-site supervision based on inspections and audits to assess the financial condition, the internal control and risk management policies of banks and their compliance with prudential and other mandatory regulations;
4. overall macroeconomic supervision of the banking system in general, including evaluation of systemic risks and analysis of the sector-wide trends and financial indicators, improving early detection mechanisms for risks in the financial system and developing appropriate response measures; and
5. procedures for reorganising or liquidating insolvent banks and non-bank financial institutions, including procedures for revocation of banking licences.

Under the Banking Code, the National Bank is required to exercise prudential regulation of banking activities in Belarus. The system of prudential regulation adopted by the National Bank is based on recommendations from the Basel Committee on Banking Supervision and includes:

- minimum capital requirements for newly established and existing banks;
- capital adequacy required to support the main risks associated with banking activities;
- liquidity management;
- credit risks and currency risks limits; and
- provisioning requirements to cover possible losses on assets subject to credit risk.

The National Bank is working on improving the banking supervision and capital adequacy standards in Belarus based on the 2006 report of the Basel Committee on Banking Supervision titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". In 2008, Belarus invited the IMF to conduct an independent assessment of the progress in improving the capital adequacy and banking supervision standards and the IMF has reported significant improvement in the standards as compared to 2004.

In 2008, Belarus passed a new law on credit histories which became effective in July 2009. The law provided for an establishment of a bureau/database of credit histories of individuals and legal entities in Belarus. All credit institutions are required to provide information about their borrowers to the bureau/database. The law improved the overall transparency of the banking system and made it easier for banks to gather accurate information about prospective and existing borrowers and make more accurate assessments of their credit risks.

As part of its anti-crisis measures and to support the liquidity of the banking sector, in March 2009 the National Bank reformed the system of mandatory reserve requirements relating to deposits. The requirement to transfer 1 per cent. of individuals' deposits into a mandatory reserve fund with the National Bank was abolished, and the mandatory reserve requirement relating to non-individual deposits was reduced to 6 per cent. These measures aimed to stimulate an increase in deposits and support the liquidity in the banking system.

In parallel with reducing mandatory reserve requirements relating to deposits, in October 2009 the National Bank introduced stricter rules on the classification of the loan portfolio of banks and increased mandatory loan reserve requirements from 0.5 to 1 per cent. These stricter rules on the classification of loan portfolios and overall difficulties experienced by the banking sector as a result of the crisis resulted in an increase in non-performing loans of the banking sector from approximately 3.2 per cent. as at 30 September 2009 to approximately 5.0 per cent. as at 1 April 2010.

The National Bank has the power to change prudential requirements in relation to specific banks depending on each bank's financial condition and compliance with the National Bank's mandatory requirements. For example, as at the date of this Prospectus there have been two instances in 2010 when banks did not comply with mandatory instructions of the National Bank relating to prudential requirements. The banks concerned were relatively small. As a result of the violations, the National Bank introduced stricter prudential requirements for those banks and subjected them to additional monitoring and reporting.

Anti-Corruption Legislation and Measures

Belarus places significant importance on combating money laundering and corruption. In 2000, Belarus adopted an anti-money laundering law and, in 2004, established a government body similar to the Financial Action Task Force (FATF) to combat money laundering and corruption. Each government body has a designated unit monitoring corruption and the Government periodically adopts programmes on anti-corruption measures. The last programme on anti-corruption measures in the years 2007 to 2010 was adopted in 2007.

Domestic Capital Markets

Government Securities

The market for government securities includes Belarusian ruble-denominated long-term state bonds ("**GDOs**"), Belarusian ruble-denominated state short-term bonds ("**GKOs**") and foreign currency-denominated state bonds. State bonds are held in book entry form. State bonds can be held by legal entities and individuals, by residents and non-residents. Belarusian ruble-denominated state bonds may be placed by auction organised by the Ministry of Finance on the Belarus Stock Exchange (the "**BCSE**"), a sale agreement entered into between the Ministry of Finance and the purchaser of the bonds or a tender offer organised by the National Bank or authorised banks. Secondary trading of state bonds takes place on the BCSE.

Foreign currency-denominated bonds are placed by a sale agreement between the Ministry of Finance and the purchaser of the bonds. There is no secondary trading of foreign currency-denominated state bonds.

As of 31 December 2009, the nominal outstanding amount of the GDOs was U.S.$714.3 million, as compared to U.S.$589, U.S.$918, U.S.$1,220 and U.S.$2,378 in each of 2005, 2006, 2007 and 2008, respectively. The decrease in outstanding nominal amount of state debt securities in 2009 was related to the fact that the Government did not require Belarusian ruble-denominated borrowings in 2009 and some of the outstanding securities were repaid early. As at 31 December 2009 there were no outstanding GKOs or foreign-currency denominated state bonds.

Belarus also issues lottery bank and state savings bonds, denominated either in rubles or in foreign currency and placed among the Belarusian population.

Corporate Securities

The corporate debt and equity markets in Belarus are not yet very developed.

BCSE was established in 1998 by the National Bank (which has a controlling stake), the Ministry for State Property Management and a number of major Belarusian banks. Shareholders of BCSE now include other banks, broker-dealer companies and other market participants.

Currently, BCSE is the only Belarusian trading platform for nationwide currency, securities and futures trading. Apart from its trading platform services, BCSE also acts as settlement depositary with respect to the corporate securities market, operator of clearing and settlement systems for all types of securities and futures market instruments, and as registrar of transactions on the over-the-counter market for joint stock companies.

The number of equity or debt issuances by Belarusian companies remains small. The market capitalisation of companies listed on BCSE as of 31 December 2009 was 3.2 per cent. of GDP and the total outstanding nominal amount of corporate bonds represented 6 per cent. of GDP.

Capital Markets Regulation

Securities Department of the Ministry of Finance (the "**Securities Department**") is the regulating and supervisory authority of capital markets in Belarus.

The main functions of the Securities Department include: (i) state regulation of the securities market, and control and supervision of the issuance, distribution and redemption of securities; (ii) state registration of share and bond issuances, except for government securities and securities of the National Bank; (iii) licensing of regulated capital markets activities; and (iv) certification of capital markets specialists.

The principal law regulating capital markets in Belarus is the Securities and Exchange Law of the Republic of Belarus was adopted on 12 April 1992.

In 2008 Belarus started implementing its 2008-2010 Programme for the Development of the Capital Markets in Corporate Securities. The Programme included measures such as the abolition of special golden share rights of the Government (which has been implemented), simplification of procedures relating to the issuance of securities and reduction of taxes on certain securities transactions. The Government is also planning to adopt legislation relating to investment funds and the implementation of measures to improve the functioning of domestic clearing systems and assist Belarusian issuers in accessing international capital markets.

Insurance Market

As at 31 December 2009, there were 24 insurance companies operating in Belarus, including 11 insurance companies with foreign investment. Four of these insurance companies were life insurance companies and 20 companies were providing other insurance products.

As at 31 December 2009, Belarus insurance companies held assets of U.S.$1,013.9 million as compared to U.S.$209.4 million, U.S.$280.6 million, U.S.$385.9 million and U.S.$968.7 million in 2005, 2006, 2007 and 2008, respectively. As at 31 December 2009, investments accounted for 30.2 per cent. of total insurance company assets as compared to 56.4 per cent., 56.7 per cent., 52.9 per cent. and 31.2 per cent. in 2005, 2006, 2007 and 2008, respectively. Government securities accounted for 29.2 per cent. of such investments as compared to 64.9 per cent., 55.0 per cent., 48.1 per cent. and 39.3 per cent. in 2005, 2006, 2007 and 2008, respectively. Meanwhile corporate securities accounted for 6.7 per cent. of such investments as compared to 2.2 per cent., 1.8 per cent., 4.3 per cent. and 8.9 per cent. in 2005, 2006, 2007 and 2008, respectively, and deposits accounted for 56.7 per cent. of such investments as compared to 25.2 per cent., 33.2 per cent., 37.4 per cent. and 42.4 per cent. in 2005, 2006, 2007 and 2008, respectively. The remaining 7.4 per cent. of such investments included real estate, equity securities and other investments as compared to 7.7 per cent., 10.1 per cent., 10.2 per cent. and 9.4 per cent. in 2005, 2006, 2007 and 2008, respectively.

The gross written premiums (the aggregate premiums written and assumed by insurers before deductions for reinsurance) of insurers in Belarus amounted to U.S.$399.4 million in 2009 as compared to U.S.$222.3 million, U.S.$258.1 million, U.S.$310.4 million and U.S.$439.9 million in 2005, 2006, 2007 and 2008, respectively.

PUBLIC FINANCE

Consolidated Budget

Belarus's general consolidated budget (the "**Consolidated Budget**") consists of the central government budget, local government budgets and, as of 2010, when the SPF became an extra-budgetary fund, the budget of the SPF. Prior to 2010, the budget of the SPF was included in the central government budget.

Since 2006, a new budget classification system has been in effect in Belarus, based on the approach set forth by the IMF for the statistics of state finances, as amended in 2001, known as GFS 2001. Adoption of this new budget classification system has improved the process of compiling and executing the budget, permitted qualitative analysis and ensured international comparability of budget figures.

As a result of increased oil and gas prices, the economic slowdown at the end of 2008, contraction in foreign trade and a decrease in the taxation base, the 2009 Consolidated Budget was implemented with a deficit of approximately Br 1 trillion, or 0.7 per cent. of GDP (compared to a surplus of 1.4 per cent. of GDP in 2008). Revenues under the Consolidated Budget in 2009 were Br 62.8 trillion, which constituted 45.9 per cent. of GDP (in the period from 2005 to 2009, revenues constituted 48.4 per cent. of GDP per year on average). In nominal terms, revenues under the Consolidated Budget in 2009 were 4.3 per cent. lower than revenues under the Consolidated Budget in 2008. Expenditure under the Consolidated Budget decreased in 2009 by 0.1 per cent. in nominal terms and amounted to Br 63.8 trillion.

The following table sets out the Consolidated Budget of Belarus (in Br billions) for each of the years indicated.

	Results of the Consolidated Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Br billions, except percentages)					
Revenues						
Tax revenues	22,330.0	26,929.0	34,235.6	46,808.4	41,304.7	49,295.1
of which:						
Income tax	1,882.3	2,480.1	3,081.0	4,182.9	4,305.3	4,723.2
Profit tax	2,376.9	3,140.8	3,837.1	5,993.3	4,607.7	5,974.4
Property taxes	1,148.6	1,268.4	1,519.2	2,004.8	1,626.7	1,468.7
VAT	5,909.0	7,364.8	8,669.6	11,399.2	12,083.1	15,483.6
Excise duties	1,367.9	2,829.7	3,045.9	3,900.8	3,637.4	4,562.6
Foreign trade duties	1,682.3	2,068.7	6,281.3	10,612.6	7,969.5	9,250.0
Other taxes(1)	7,963.0	7,776.5	7,801.5	8,714.8	7,075.0	4,832.6
Revenues of the SPF	7,404.7	9,384.6	11,421.7	14,715.7	16,180.9	17,983.0
Non-tax income	1,090.2	2,077.6	2,391.7	4,139.2	5,322.0	3,830.1
Total revenues	30,824.9	38,391.2	48,049.0	65,663.3	62,807.6	68,108.2
Expenditure (economic classification)						
Current expenses	17,884.9	20,967.9	26,950.7	35,226.2	37,488.3	45,521.2
of which:						
Wages and salaries	5,275.6	6,510.6	7,480.9	8,626.1	9,257.9	10,378.2
Charges on wages and salaries	1,472.5	1,794.9	2,041.5	2,347.2	2,470.8	2,815.9
Interest payment	229.5	293.4	386.8	742.1	1,069.3	2,222.3
Subsidies and current transfers(2)	5,905.4	6,668.4	10,038.7	14,827.5	16,013.2	17,487.2
Other expenses	5,001.9	5,700.6	7,002.8	8,683.3	8,677.1	9,617.6
Capital expenditure	5,376.9	7,594.7	9,578.9	12,980.3	11,161.5	10,175.5
Expenditure of the SPF	6,735.5	8,491.1	10,484.8	12,995.8	14,679.3	17,707.8(3)
Credits, loans granted less repayments	558.7	202.5	612.5	2,609.0	436.8	52.2
Financial reserves	0.0	0.0	0.0	0.0	0.0	409.8
Total expenditure	30,556.0	37,256.2	47,626.9	63,811.3	63,765.9	70,866.5
Surplus (deficit)	268.9	1,135.0	422.1	1,852.0	(958.3)	(2,758.3)
Percentage of GDP	0.4	1.4	0.4	1.4	(0.7)	(1.7)
Financing(4)	(268.9)	(1,135.0)	(422.1)	(1,852.0)	958.3	2,758.3
of which:						
Domestic financing	(467.1)	(1,150.7)	(3,513.6)	(4,864.4)	(10,524.8)	(307.6)
External financing	198.2	15.7	3,091.5	3,012.4	11,483.1	3,065.9

Source: Ministry of Finance

Note:

(1) Other taxes include various taxes imposed by the central Government and local governments. See "– *Consolidated Budget Revenue*".

(2) Subsidies and current transfers include certain payments to the population, such as scholarships, pensions to judges and military officers administered through the central government budget, together with subsidies for the reimbursement of mortgage interest rates for first time home buyers.

(3) Excludes transfers between the SPF and the local government budgets which are included in revenues of the local government budgets consolidated into the Consolidated Budget.

(4) Funds received from privatisation amounted to Br 45.1 billion, Br 67.9 billion, Br 2,652.8 billion, Br 2,149.8 billion and Br 2,550.5 billion in 2005, 2006, 2007, 2008 and 2009, respectively.

The following table sets out certain information relating to the central government's budget for each of the years indicated.

	Results of the Central Government's Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Br billions, except percentages)					
Revenues						
Tax revenues	13,110.8	17,615.6	23,054.1	31,367.2	26,470.9	30,354.7
of which:						
Profit tax	1,546.8	1,752.0	2,283.9	3,285.8	2,712.8	3,550.7
VAT	4,124.9	5,147.3	6,069.1	8,066.5	8,198.3	11,042.1
Excise duties	1,115.8	2,683.7	2,884.0	3,730.6	3,475.3	4,562.1
Foreign trade duties	1,682.3	2,068.7	6,281.3	10,612.6	7,969.5	9,250.0
Other taxes(1)	4,641.0	5,963.9	5,535.8	5,671.7	4,115.0	1,949.8
Revenues of the SPF(2)	7,404.7	9,384.6	11,421.7	14,715.7	16,180.9	17,983.0
Non-tax income	777.8	1,666.4	1,759.2	2,969.1	3,733.5	2,657.8
Total revenues	21,293.3	28,666.6	36,235.0	49,052.0	46,818.8	50,995.5
Expenditure (economic classification)						
Current expenses	10,831.7	14,468.9	20,027.7	26,374.4	25,680.8	30,132.0
of which:						
Wages and salaries	2,003.5	2,478.2	2,868.3	3,334.1	3,577.6	4,269.4
Charges on wages and salaries	398.3	485.1	543.2	634.2	653.9	771.6
Interest payment	226.0	267.1	343.9	693.2	1,002.7	2,136.8
Subsidies and current transfers(3)	6,118.8	8,319.4	12,928.1	17,883.5	16,470.8	18,941.3
Other expenses						
Capital expenditure	2,915.7	4,569.9	5,346.0	6,662.6	6,217.6	5,225.0
Credits, loans granted less repayments	265.4	(41.8)	50.5	2,097.7	(251.5)	80.1
Financial reserve	0.0	0.0	0.0	0.0	0.0	275.4
Expenditure of the SPF(2)	6,735.5	8,491.1	10,484.8	12,995.8	14,679.3	17,827.0
Total expenditure	20,748.3	27,488.1	35,909.0	48,130.5	46,326.2	53,539.5
Surplus (deficit)	545.0	1,178.5	326.0	921.5	492.6	(2,544.0)
Per cent. of GDP	0.84	1.49	0.34	0.71	0.36	1.6
Financing(4)	(545.0)	(1,178.5)	(326.0)	(921.5)	(492.6)	2,544.0
of which						
Domestic financing	(743.2)	(1,194.2)	(3,417.5)	(3,933.9)	(11,975.6)	(169.4)
External financing	198.2	15.7	3,091.5	3,012.4	11,483.0	2,713.4

Source: Ministry of Finance

Note:

(1) Other taxes include various taxes imposed by the central Government.

(2) The budget of the SPF was included in the central government budget through December 2009. Beginning in 2010, the SPF became an extra-budgetary fund and its results are consolidated in the Consolidated Budget.

(3) Current transfers includes transfers between the central government budget and the local government budgets.

(4) For information on funds received from privatisation, see Note 4 to the Consolidated Budget table above.

Consolidated Budget Revenue

In 2009, the Consolidated Budget revenues amounted to Br 62.8 trillion or 95.7 per cent. of revenues in 2009, a decrease of 4.3 per cent. as compared to 2008. Taxation represents the principal source of budgetary revenue for Belarus accounting for 65.8 per cent. of the total Consolidated Budget revenues in 2009, as compared to 72.4, 70.1, 71.3 and 71.3 in 2005, 2006, 2007 and 2008, respectively. A decrease in tax revenues in 2009 as compared to the previous years was a consequence of the overall economic slowdown, contraction of consumption, a build-up of industrial inventories and a decrease in exports. The other significant contribution to budgetary revenue is revenues of the SPF, comprised mainly of contributions paid by employers and employees. The SPF revenues amounted to 25.8 per cent. of the Consolidated Budget revenues in 2009, as compared to 24.0, 24.4, 23.8 and 22.4 in 2005, 2006, 2007 and 2008, respectively.

VAT receipts accounted for 24.4 per cent. and 29.3 per cent. of the total Consolidated Budget's tax revenues, in 2008 and 2009, respectively. VAT is levied on a range of goods and services. In January 2010, the VAT rate was increased by 2 per cent. and is currently 20 per cent. Revenue from foreign trade duties, profit tax, income tax, and excise duties accounted for 19.3 per cent., 11.2 per cent.,10.4 per cent., and 8.8 per cent., respectively, of the total Consolidated Budget's tax revenues in 2009. Profit tax is levied at a flat rate of 24 per cent. on gross revenues of enterprises and income tax is levied at a flat rate of 12 per cent. on individuals' income and at a flat 15 per cent. rate on individual entrepreneurs' income. Individual entrepreneurs are individuals engaged in commercial and entrepreneurial activities without establishing a separate legal entity and registered in such capacity. They are subject to income tax on income from the relevant entrepreneurial activity. All other individuals pay income tax on their employment income and other earnings, if applicable. Excise duties are assessed over alcohol beverages, beer, tobacco products, minibuses, automobiles, gasoline and other types of products imported into Belarus. The rate of duty depends on the type of the product and the amount imported. Foreign trade duties consist primarily of customs duties assessed over imported and exported goods. Rates of import duties vary from 0 per cent. to 25 per cent. and apply to a wide range of goods including tea, coffee, food products, photo and video equipment, textile products, fuel, metals, and other products. As at the date of this Prospectus, there is only one export duty relating to potash fertilisers. The rate of such export duty is €50 for 1 tonne of the potash fertiliser. Export duties over crude oil and oil-based products have been temporarily suspended since February 2010. See "*– Tax Reforms in 2009 and 2010*".

In addition to the main sources of tax revenue, there are a number of other taxes imposed by the central Government and local governments. Some of those taxes are imposed by some local governments but not others, and therefore consolidated information for each individual tax in this category is not always available.

The following table shows those taxes which exceed 5 per cent. of the total of other taxes under the Consolidated Budget for the years indicated:

	Results of the Consolidated Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Percentages,[1] except Br billions)					
Contributions into innovation funds[2]	13.2	20.6	21.9	22.8	24.5	27.5
Contributions to the Agricultural Producers Support Fund[3]	19.8	24.8	25.6	29.1	20.0	–
Duties for development of territories[4]	4.2	4.3	5.0	6.7	6.6	10.3
Environmental tax	4.9	6.0	6.5	4.9	7.7	10.0
Non-residents' income tax[5]	4.0	2.4	1.9	4.7	3.5	5.6
Sales tax	11.7	4.7	6.8	7.8	8.0	–
Simplified tax[6]	0.3	0.5	1.3	4.0	6.9	10.6
Stamp duties	1.5	2.0	2.9	3.0	3.7	5.3
Road users tax	10.0	12.2	12.6	–	–	–
Unified tax[7]	3.2	3.1	3.4	2.6	4.2	6.4
Total (Br billions)	7,963.0	7,776.5	7,801.5	8,714.8	7,075.0	4,956.1

Source: Ministry of Finance

Note:

(1) Percentages of the total of other taxes under the Consolidated Budget for the years indicated.

(2) Contributions paid by enterprises into innovation funds operated by ministries supervising the relevant industries. The accumulated funds are used for scientific research, purchases of equipment and other purposes identified by the relevant ministries.

(3) Contributions paid by enterprises. The accumulated funds are used for agricultural scientific research, purchases of equipment for agricultural enterprises and support of agricultural enterprises affected by the seasonality of the agricultural sector. From

January 2010, the Government abolished the duty to the Agricultural Producers Support Fund. See "– *Tax Reforms in 2009 and 2010*".

(4) Includes taxes collected by local authorities and used for development of administrative subdivisions of Belarus, such as, for example, regions, cities and urban villages. See "*The Republic of Belarus – Location and Population*"

(5) Tax on the income of foreign businesses without a permanent establishment in Belarus.

(6) Replaces other applicable taxes where an entity is eligible for the simplified taxation system.

(7) Applies to certain types of business activities instead of the profit tax and/or income tax.

Consolidated Budget Expenditure

In 2009, consolidated Budget expenditure decreased by 0.1 per cent. in nominal terms in comparison to 2008 and amounted to Br 63.8 trillion. As a percentage of GDP, expenditure decreased by 2.6 per cent. in 2009 compared to 2008. Belarus reduced the Consolidated Budget expenditure in 2009 by limiting non-essential expenses and slightly reduced funding in a number of other areas of expenditure. The financing of social programmes however remained unchanged.

The table below shows a breakdown of the Consolidated Budget expenditure by functional classification in each of the years indicated:

	Results of the Consolidated Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Br billions)					
Expenditure (functional classification)						
Education	4,007.9	4,788.4	5,547.4	6,635.3	6,767.1	7,468.4
Environmental protection	384.6	460.3	537.8	537.1	396.9	352.5
Law enforcement and safety	1,382.7	1,719.2	2,062.7	2,325.8	2,433.9	2,623.6
National defence	720.1	998.8	1,206.2	1,373.3	1,323.7	1,473.3
National economy	5,983.5	7,600.9	11,189.0	16,495.0	16,359.9	16,171.5
Physical education, sports, culture and mass media	705.1	918.8	1,120.4	1,426.3	1,414.2	1,432.6
Public health	2,985.4	3,527.7	4,325.2	5,024.9	5,354.0	5,681.2
State expenditure(1)	4,003.6	4,936.9	6,471.1	10,708.0	8,053.5	9,830.2
Social policy (including SPF)	8,711.3	10,631.2	13,014.6	16,176.0	18,620.1	22,377.0
Utilities and residential construction	1,671.8	1,674.0	2,152.5	3,109.6	3,042.6	3,456.2
Total expenditure	30,556.0	37,256.2	47,626.9	63,811.3	63,765.9	70,866.5

Source: Ministry of Finance

Note:

(1) Includes general governmental expenses such as servicing of public debt, contributions to international organisations, formation of State reserve funds, expenditure on scientific research, salaries of the central Government officials, expenses related to State investment programme and other similar expenses.

Each functional line item of the Consolidated Budget expenditure includes current expenses, capital expenditure and subsidies. The most significant subsidies are discussed separately below.

The largest item of expenditure in the Consolidated Budget is social policy, funded primarily through the SPF. The remaining Br 3,940.8 billion of social policy expenditure in 2009 consisted of social protection expenditure, pension benefits and expenses related to the youth support policy. Social protection expenditure consist, for example, of child care benefits, provision of free baby food for children under two years old and financing of programmes related to the relocation of children born in Chernobyl. Pensions financed through the central Government budget rather than the SPF include pensions to certain categories of employees such as judges, military officers and others. Expenses related to the youth support policy include various scholarship programmes for young people in science, education, culture or sports. The share of social policy in the total expenditure of the Consolidated Budget remained relatively constant and accounted for 28.5 per cent., 28.5 per cent., 27.3 per cent., 25.3 per cent. and 29.2 per cent. in 2005, 2006, 2007, 2008 and 2009, respectively. Social policy is budgeted to account for 31.6 per cent. of total expenditure in 2010.

Another significant expenditure item is classified as "national economy" and represents expenditure on, among other things, subsidies to the agricultural, utilities and transportation sectors as well as expenditure on road building and maintenance costs. This item accounted for 25.7 per cent. of total expenditure in 2009, compared to 19.6 per cent., 20.4 per cent., 23.5 per cent. and 25.8 per cent. in 2005, 2006, 2007 and 2008, respectively. The "national economy" is budgeted to account for 22.8 per cent. of total expenditure in 2010.

Other significant areas of expenditure include State expenditure, education and public health which are budgeted to account for 13.9 per cent., 10.5 per cent. and 8.0 per cent., respectively, of total Consolidated Budget expenditure in 2010. State expenditure includes general governmental expenses such as servicing of public debt, contributions to international organisations, formation of State reserve funds, expenditure on scientific research, expenses related to the State investment programme, salaries of Government officials, expenses for carrying out referendums and elections, administrative costs of the Government and other bodies, payments of international economic and humanitarian aid and other expenses.

Expenditure for education represent expenses relating to the operation of schools, colleges, universities and other educational organisations, expenses of state bodies exercising control and supervision over the education system (including wages of staff, transport expenses and other current expenses), financing of state programmes and various educational science projects, publishing of textbooks and other educational materials and education-related expenses.

Public health expenditure represents expenditure for maintenance of public health organisations (wages, utilities, transport, communications charges and other current expenses), costs of medical services, centralised purchases of medication and medical equipment, cost of state sanitary and epidemiological supervision and research in the field of public health.

Utilities and residential construction expenditure represents expenditure for the purposes of covering the difference between low communal tariffs and the actual cost of communal services, sponsorship of capital and current refurbishment of residential buildings, street maintenance and refurbishment of other public facilities. This item accounted for 4.8 per cent. of total expenditure in 2009.

Law enforcement and safety expenditure represents expenditure on the judiciary, law enforcement agencies, prosecution authorities, border control services, the penitentiary system, state security services, notary offices, customs agencies, expenses relating to dealing with the consequences of emergency situations and natural disasters, programmes and projects in the area of law enforcement and safety provision and other expenses. This item accounted for 3.8 per cent. of the total Consolidated Budget expenditure in 2009.

Physical education, sports, culture and mass media accounted for 2.2 per cent. of the total Consolidated Budget expenditure in 2009 and represented expenses relating to various sports, cultural and mass media activities, support of the national film industry, support of mass media, publications and periodicals. Expenditure in this area also included expenses relating to state management of these spheres as well as relevant state programmes.

National defence expenditure accounted for 2.1 per cent. of the total Consolidated Budget expenditure in 2009 and represented expenditure on the management of defence and military security of the state, maintenance of the armed forces of Belarus, other military related expenses except for expenses related to military educational and medical requirements as well as pensions.

Environmental expenditure accounted for 0.6 per cent. of the total Consolidated Budget expenditure in 2009 and represented expenses relating to the maintenance and recovery of specially protected natural sites, environmental monitoring, maintenance of the state register of natural resources and expenses of environmental agencies.

About 20 per cent. of Belarus is considered to be contaminated by the Chernobyl fallout. Addressing the consequences of the Chernobyl fallout is another important expenditure item of the Consolidated Budget. Damage caused by the Chernobyl fallout to the economy of Belarus for the years from 1986 through 2015 are estimated by the Government to amount to U.S.$235 billion. This amount includes U.S.$191.7 billion (81.6 per cent.) of estimated costs to sustain production and implement protective measures, U.S.$30 billion (12.6 per cent.) of direct and indirect losses to the economy, such as pollution of lands and other natural resources, damage to industry and health of the population, and U.S.$13.7 billion (5.8 per cent.) of lost profits. Expenses relating to maintenance of production and protective measures are primarily financed from the Consolidated Budget and amounted to U.S.$275.1 million (Br 592.6 billion), U.S.$300.0 million (Br 643.3 billion), U.S.$312.9 million (Br 671.4 billion), U.S.$341.3 million (Br 729.1 billion) and U.S.$330.3 million (Br 922.4 billion) in 2005, 2006, 2007, 2008 and 2009, respectively.

The following table shows a breakdown of expenditure on subsidies by industry sector for each of the indicated years:

	Results of the Consolidated Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Br billions)					
Subsidies						
Agriculture	1,965.4	2,411.3	2,816.5	3,373.8	4,318.7	4,674.3
Fuel and energy	0.0	0.0	2,326.5	5,283.9	4,563.5	4,039.0
Industry and construction	23.1	170.6	329.7	488.9	259.5	772.3
Physical education, sport, culture and mass media	99.1	125.5	154.5	197.0	218.7	211.1
Transportation	258.7	335.5	372.0	436.7	475.6	505.6
Utilities	668.8	707.1	998.5	1,208.9	1,799,7	2,111.3
Other[(1)]	692.1	575.4	414.8	742.6	494.4	405.7
Total	3,707.2	4,325.4	7,412.5	11,731.8	12,130.1	12,719.3

Source: Ministry of Finance

Note:

(1) Other subsidies include funds provided to the banks for purposes of compensating of discounted loans to enterprises, unemployment subsidies and subsidies to support the development of small and medium-size enterprises.

Agricultural subsidies include interest rate subsidies for loans advanced by Belarusian banks to agricultural enterprises, reimbursement of the difference between regulated prices for certain essential food products and the cost of sales incurred by agricultural producers, subsidies for the purchase of mineral fertilisers, financing research in the agricultural science and other subsidies supporting the agricultural sector.

Fuel and energy subsidies consist primarily of the previous subsidy to Russian oil exporters and also include interest rate subsidies for loans advanced by Belarusian banks to enterprises in the fuel and energy sector. Prior to the new arrangement on oil supplies agreed with Russia in January 2010 described in "*The Economy of the Republic of Belarus – Fuel and Energy – Oil*", crude oil exports from Russia to Belarus were subject to a reduced export duty. The subsidies were used to subsidise Russian oil exporters to encourage them to use Belarusian refineries for the processing of crude oil and subsequent exports of oil products. The amount of the subsidy was set on a monthly basis based on the volume of supplies, current market prices and other economic criteria and varied between 50 and 145 per cent. of the amount of the Russian export duty to Belarus. In 2009, the oil subsidies' expenditure amounted to BR 4.6 trillion. The arrangement was beneficial to Belarus's economy as it created additional jobs and resulted in increased tax and export revenues. The subsidies were cancelled in January 2010 when the new oil supplies arrangement with Russia came into effect. The funds allocated for these purposes in the 2010 Consolidated Budget will be re-allocated to cover other needs.

Utilities subsidies include reimbursement of the difference between the regulated prices (tariffs) set by the Government for heating, water and other housing services and the cost of sales incurred by utility suppliers, funds allocated for the maintenance of streets, heating mains and other housing services infrastructure and funds for the maintenance and upkeep of residential housing.

Industry and construction subsidies include interest subsidies for loans advanced by Belarusian banks to enterprises in the industry and construction sectors.

Transportation subsidies include reimbursement of the difference between the regulated prices (tariffs) set by the Government for transportation services to the population and the cost of sales incurred by transport enterprises.

Physical education, sports, culture and mass media subsidies include subsidies supporting sport clubs, cultural organisations, film production, mass media, publishing houses and video rental enterprises.

Budget Process

Central government budget preparation starts in March of the year preceding the relevant budget year. The Ministry of Finance develops preliminary projections for the budget and issues directions based on which ministries and other State authorities present to the Ministry of Finance materials necessary for the preparation of the central government budget and corresponding determination of the Consolidated Budget. Based on these materials, the Ministry of Finance prepares a draft of the central government budget and relevant factors for the determination of the Consolidated Budget. The draft of the central government budget is then provided to the Government and, by 1 September, the central government state budget proposal is submitted to the President for approval. The final central government budget is usually approved by the Parliament of Belarus before 1 December of the year preceding the budget year.

Local government budgets are considered and approved by local Councils of Deputies prior to the beginning of the relevant budget year.

The report on the execution of the central government budget for the relevant reporting year is presented to the Government by March of the subsequent reporting year. The Government further submits the central government budget to the State Control Committee for the purposes of an external audit and presents it to the President. The State Control Committee prepares a report with respect to the execution of the central government budget, which is also presented to the President. No later than five months from the end of the relevant reporting year, the President submits a report on the execution of the central government budget to the National Assembly, which then passes a law approving such report. The law approving the report on the execution of the 2009 central government budget was passed by the National Assembly in June 2010.

Reports on the execution of the local government budgets are considered and approved by relevant local Councils of Deputies.

2010 Consolidated Budget

The 2010 Consolidated Budget is based on an assumption of 2.3 per cent. real GDP growth in 2010 and on an assumption of 9 per cent. inflation in 2010. Budgeted revenues for the 2010 Consolidated Budget are Br 68.1 trillion and budgeted expenditure is Br 70.9 trillion, which would result in a deficit of 1.7 per cent. of GDP for the year.

Tax Reforms in 2009 and 2010

In 2009 and 2010, the Government introduced a number of gradual changes to the tax system in order to improve the investment environment in Belarus and to stimulate growth of the private sector.

Starting from 1 January 2009, the Government reduced the rate of duty for the Agricultural Producers Support Fund, reduced the rate of tax on purchases of motor vehicles from 5 per cent. to 3 per cent., introduced a flat 24 per cent. profit tax rate in place of the previous rates of 30 per cent. and a flat 12 per cent. income tax rate in place of the previous rates ranging between 9 and 30 per cent., and excluded certain production assets from the real estate tax. As a result of these measures, the tax burden on the economy in 2009 reduced by Br 2 trillion (1.5 per cent. of GDP).

From January 2010, the Government abolished the duty to the Agricultural Producers Support Fund, the sales tax and the tax on purchases of motor vehicles. These measures are estimated to reduce the budget revenues in 2010 by Br 2.3 trillion. To compensate for an expected reduction in budget revenues, the Government increased the value added tax rate from 18 per cent. to 20 per cent. from 1 January 2010.

SPF

Belarus's social insurance system is run through the SPF, which was established on 1 July 1993 and is now operated by the Ministry of Labour and Social Welfare. The SPF provides pensions and maternity/paternity benefits, as well as insurance against illness, unemployment and accidents. The SPF is mainly funded by contributions paid by employers and employees. Prior to 2010, the budget of the SPF was included in the central government budget. Starting from 2010, the SPF became an extra-budgetary fund and its budget is consolidated in the Consolidated Budget.

The following table sets out certain financial information relating to the SPF:

	Results of the SPF's Budget					*Budget*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*
	(Br billions)					
Revenues	7,404.7	9,384.6	11,421.7	14,715.7	16,180.9	17,983.0
of which:						
contributions of employers	7,078.0	8,977.8	10,876.6	14,012.0	15,211.6	16,969.6
contributions of employees	204.6	259.4	314.3	405.0	454.1	506.6
other non-tax income(1)	122.1	147.4	230.7	298.7	515.2	506.8
Expenditure	6,735.4	8,491.1	10,484.8	12,995.8	14,679.3	17,827.0
of which:						
pensions	5,673.8	7,196.9	8,701.7	10,605.4	11,803.1	14,353.0
benefits	1,021.0	1,259.6	1,512.9	2,059.4	2,516.7	3,016.0
other(2)	40.6	34.6	270.1	331.0	359.5	458.0
Balance	669.3	893.5	936.9	1,719.9	1,501.6	156.0

Source: Ministry of Finance

Notes:

(1) Includes interest accruing on temporarily available funds of the SPF, administrative fines and other similar income.

(2) Includes expenses on health resorts for the population, measures to increase the level of employment, expenses of the SPF's management bodies and other similar expenses.

The SPF operates based on an annual budget prepared by its management board and the Ministry of Finance and further approved by the relevant law. Reports on execution of the SPF's budget are prepared on a quarterly basis. Budgets of the SPF have always operated without any deficit.

The cumulative balance of the SPF as at 31 December 2009 is Br 1,501.6 billion, which is retained in the SPF to address any shortfall in the liabilities of the SPF in future years.

PUBLIC DEBT

The following table sets out Belarus's public debt broken down into external public debt and domestic public debt, both in millions of U.S. dollars and as a percentage of GDP at the dates indicated.

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
	(U.S.$ millions, except percentages)				
External public debt					
Multilateral loans	82.0	64.6	51.0	49.4	3,122.3
IMF	0.0	0.0	0.0	0.0	2,861.0
IBRD	59.2	49.4	41.0	41.5	255.6
EBRD	22.8	15.2	10.0	7.9	5.7
Bilateral loans	669.8	687.7	2,182.6	3,604.2	4,537.1
Russia	358.1	314.9	1,746.4	2,675.1	3,103.8
Germany	100.9	127.3	122.9	81.7	72.8
USA	66.4	62.8	59.1	55.5	51.8
Japan	17.6	11.7	6.0	0.0	0.0
China	56.3	124.9	215.9	265.1	785.3
Venezuela	–	–	–	500.0	500.0
Other	70.5	46.1	32.3	26.8	23.4
Consortium (syndicated) loans	32.0	85.6	103.1	65.3	232.0
External public debt, total	783.8	837.9	2,336.7	3,718.9	7,891.4
of which Government guarantees	217.0	263.4	311.0	130.1	112.6
As a percentage of GDP	2.6	2.3	5.2	6.3	16.5
Domestic public debt					
State securities	1,016.0	1,529.9	1,704.9	2,457.1	714.3
Local government debt(1)	–	–	–	–	791.2(1)
Other(2)	403.7	356.7	295.8	241.1	151.2
Domestic public debt, total	1,711.6	2.413.6	2,851.7	3,902.5	7,700.1(2)
of which Government guarantees(3)	291.8	527.0	851.0	1,204.3	6,043.4(4)
As a percentage of GDP	5.7	6.5	6.4	6.6	16.1
Total public debt	2,495.4	3,251.5	5,188.4	7,621.4	15,591.5
As a percentage of GDP	8.3	8.8	11.6	12.9	32.6

Source: Ministry of Finance

(1) Starting from 1 January 2009, local government debt is included in the total domestic public debt as a result of a change in methodology.

(2) Includes foreign currency funds in frozen accounts of the USSR's Vnesheconombank as at 1 January 1992 and the remaining liabilities of the Government under loans disbursed by the National Bank.

(3) Not including Government guarantee of bank deposits. See "*Monetary and Financial System – Measures in Response to the Global Economic Crisis*" and "*Monetary Financial System – Banking Sector*".

(4) Includes U.S.$4,150.1 million of local government guarantees. Starting from 1 January 2009, local government debt is included in the total domestic public debt as a result of a change in methodology.

Debt Management Policy

The public debt of Belarus is managed by the Government in accordance with the Budget Code of Belarus and the Medium Term Debt Management Policy. The public debt management policy aims to reduce borrowing costs, optimise the structure and composition of public debt, maintain public debt at sustainable levels and utilise public debt in a more efficient manner. In addition, the Government sets limits on external and domestic public debt in the relevant budget law.

The Law of the Republic of Belarus on the National Budget for the Year 2010 (the "**2010 Budget Law**") and the Edict of the President of Belarus No. 245 dated 13 May 2010 on the issue of the Notes established a limit of external public debt in the amount of U.S.$11 billion. The 2010 Budget Law also limited domestic public debt to Br 26,500 billion (approximately equivalent to U.S.$9,269 million). The amounts required to repay and service public debt are protected expenditure items in the budget.

The average maturity of Belarus's external public debt is 6.3 years. The average maturity of its domestic public debt is 4.4 years. Belarus does not have any public debt with a maturity of less than one year.

All domestic public debt is denominated in Belarusian rubles. External debt is denominated in U.S. dollars (54.8 per cent. as at 31 December 2009), SDRs (36.3 per cent. as at 31 December 2009), Euro (4.7 per cent. as at 31 December 2009), Russian rubles (2.5 per cent. as at 31 December 2009) and other foreign currencies (1.7 per cent. as at 31 December 2009).

As at 31 December 2009, Belarus's external public debt represented 16.5 per cent. of GDP and its domestic public debt represented 16.1 per cent. of GDP.

External Public Debt

Belarus began incurring external public debt in 1992 and, as at 31 December 2009, the total amount of external public debt was U.S.$7,891.4 million.

Within the total structure of external public debt, direct Government borrowings accounted for 98.6 per cent. (U.S.$7,778.8 million) and Government guaranteed borrowings accounted for 1.4 per cent. (U.S.$112.6 million) as at 31 December 2009.

Belarus increased its external public debt in 2009. Due to the financial crisis and consequent restricted access to the international capital markets, Government borrowings from international financial institutions and from Russia were a key source of external financing.

External financings provided by the Russian Federation form a significant percentage of Belarus's external public debt. In December 2007 and November 2008, the Russian Federation provided a 15 year facility of U.S.$1.5 billion and a 15 year facility of U.S.$1 billion, respectively. In March 2009, a further tranche of U.S.$500 million was extended on the same conditions as the 2008 facility. The facility is not subject to any economic conditions and includes a five-year grace period for repayment of the principal amount. The total outstanding indebtedness of Belarus to the Russian Federation as at 1 April 2010 was U.S.$3.1 billion representing 36 per cent. of the total external public debt of Belarus as at such date.

In order to address its balance of payments deficit, in January 2009 Belarus obtained a U.S.$2.5 billion 15-month stand-by programme with the IMF, which was increased to U.S.$3.63 billion in June 2009. As of 1 April 2010, an aggregate amount of U.S.$3.45 billion had been loaned to Belarus under the stand-by arrangement in five tranches. The provision of the stand-by programme by the IMF was conditional upon Belarus meeting certain quantitative targets and implementing a number of structural changes. As at 1 April 2010, U.S.$3,45 billion provided to Belarus under the stand by arrangement comprised 40.8 per cent. of the total external public debt of Belarus.

As at 1 April 2010, the total outstanding indebtedness of Belarus to the IBRD was U.S.$259.6 million, representing 3.1 per cent. of the total external public debt of Belarus as at such date. Recent projects include the World Bank's approval of funding for a project for the development of water supply and water discharge systems (with a total value of U.S.$60 million) in January 2009 and a project for the improvement of energy efficiency (with a total value of U.S.$125 million in September 2009). Funds under the IBRD facilities are released in stages based upon the progress of the relevant project and some of the facilities have not been drawn in full as at the date of this Prospectus. In December 2009, the World Bank approved the extension to Belarus of a development policy loan in the amount of U.S.$200 million, which has been fully drawn. The purpose of the facility was to support the structural reforms in the economy and Government measures to counter the consequences of the global economic crisis. As at 1 April 2010, the outstanding indebtedness of Belarus to China was U.S.$764.7 million, representing 9.0 per cent. of the external public debt of Belarus as at such date. This indebtedness consists primarily of a drawdown under agreed financings for the following projects: U.S.$243.4 million for development of the state cellular network system; U.S.$47.7 million for the reconstruction of Minsk TEC-2; U.S.$349.3 million for the reconstruction of Minsk TEC-5; U.S.$529.3 million for the reconstruction of cement plants; and U.S.$35 million for other projects. The facilities have not been drawn in full and further disbursements are scheduled to be made upon completion of the agreed stages of these projects. As at 1 April 2010, the total remaining amount scheduled to be drawn under these facilities was U.S.$373.7 million.

In December 2008, Venezuela approved the extension to Belarus of a seven-year facility of U.S.$500 million. The purpose of this facility was to finance a number of investment projects in the infrastructure, industrial and fuel and energy sectors and social policy.

Existing external public indebtedness of Belarus has an average maturity until repayment of 6.3 years and average rate of interest of 3.0 per cent. 4.8 per cent. of existing external public debt is to be repaid in 2010.

Debt Payment Record and Estimated Debt Service

The following table sets out Belarus's total external and domestic public debt service in each of the years indicated:

	2005	*2006*	*2007*	*2008*	*2009*
		(U.S.$ millions, except percentages)			
Payments for servicing and repaying external public debt, total	97.3	129.1	222.2	290.7	280.7
As a percentage of GDP	0.3	0.3	0.5	0.5	0.6
of which:					
Interest	15.2	29.8	33.5	163.7	144.2
Principal	82.1	99.3	188.7	127.0	136.5
Payments for servicing and repaying domestic public debt, total	533.0	688.7	984.9	841.4	1,410.5
As a percentage of GDP	1.8	1.9	2.2	1.4	2.9
of which:					
Interest	75.4	93.9	122.4	132.8	166.3
Principal	457.6	0.6	862.5	708.6	1,244.2
Total debt service	630.3	817.8	1,207.1	1,132.1	1,691.2

Source: Ministry of Finance

Belarus has not had any instances of default on either its external or domestic public debt and all debt servicing payments have been made on time in accordance with the terms of the relevant instruments.

The following table sets out details of the projected payments that Belarus will make (in U.S.$ millions) towards servicing and repaying its external public indebtedness (not including the Notes) in each of the years 2010 to 2015:

	2010	*2011*	*2012*	*2013*	*2014*	*2015*
		(U.S.$ millions, except percentages)				
Payments for servicing and repaying external public debt, total	895.3	579.2	1,069.2	2,305.8	2,256.1	1,066.6
As a percentage of GDP(1)	1.7	1.1	2.0	3.8	3.7	1.6
Interest	476.1	410.9	410.1	370.2	296.1	226.8
Principal	383.2	168.3	659.1	1,935.6	1,960.0	839.8

Source: Ministry of Finance

Note:

(1) Forecast of the IMF prepared in relation to the stand-by programme.

Domestic Public Debt

Domestic public debt principally comprises loans, securities and guarantees. As at 31 December 2009, the total domestic public debt was Br 22,014.5 billion (equivalent to approximately U.S.$7,700 million), which in U.S. dollar terms represents a doubling of this as compared to the position as at 31 December 2008. The increase was primarily due to a change in the method of determining domestic public debt since 1 January 2009 as a result of which local government debt was included in the calculation of total domestic public debt. As at 31 December 2009, the share of local government debt in the total domestic public debt was 64 per cent. The limit of domestic public debt for 2010 was set by the 2010 Budget Law at Br 26,500 billion (equivalent to approximately U.S.$9,269 million).

The main objective of Belarus's domestic public debt management strategy is to optimise the country's debt structure and value, maintain domestic indebtedness below 20 per cent. of GDP and ensure the efficiency of state borrowings.

State securities accounted for 9.3 per cent. of domestic public debt as at 31 December 2009. The market for state securities includes GDOs, GKOs and foreign currency denominated state bonds. See "*Monetary and Financial System – Domestic Capital Markets*".

The following table sets out Belarus's state securities broken by type at the dates indicated:

	2005	*2006*	*2007*	*2008*	*2009*
			(U.S.$ millions)		
GKOs	366.7	564.3	484.6	78.9	0.0
GDOs	588.6	918.4	1,219.6	2,377.8	714.3
Foreign-currency denominated notes	59.7	46.8	0.0	0.0	0.0
Other state securities	1.0	0.5	0.6	0.3	0.0
Total	1,016.0	1,529.9	1,704.9	2,457.1	714.3

As of 31 December 2009, the total outstanding nominal amount of the GDOs was U.S.$714.3 million, as compared to U.S.$589, U.S.$918, U.S.$1,220 and U.S.$2,378 in each of 2005, 2006, 2007 and 2008, respectively. The decrease in the par value of state bonds in 2009 is due to the early redemption of state bonds by the Government. As at 31 December 2009 there were no outstanding GKOs or foreign currency denominated state bonds. As of 31 December 2009 the average yield for GDOs was 7.1 per cent. with an average maturity of approximately 4 years.

Government Guarantees

Guarantees of the central Government and local government represent a significant proportion of the total public debt. In 2009, the total amount of public and private sector guarantees by the State increased by 62.0 per cent. as compared to 2008 and amounted to 39.5 per cent. of the total public debt. Starting from 1 January 2009, local government debt, including public and private sector debt guaranteed by local governments, is included in the total domestic public debt, primarily to facilitate the monitoring of guarantees issued by local government. As at 31 December 2009, guarantees issued by central Government represented 4.1 per cent. of GDP in 2009 and guarantees issued by local government represented 8.5 per cent. of GDP in 2009.

The following table sets out certain information regarding the central Government and local government guarantees as at the dates indicated.

	2005	*2006*	*2007*	*2008*	*2009*
			(U.S.$ millions)		
Government guarantees[(1)]	508.8	790.4	1,162.0	1,334.4	2,005.9
of which					
external debt	217.0	263.4	311.0	130.1	112.6
internal debt	291.8	527.0	851.0	1,204.3	1,893.3
Local government guarantees	779.1	1,601.7	2,295.8	3,597.0	4,150.1
Total guaranteed debt	1,287.9	2,392.1	3,457.8	4,931.3	6,156.0

Source: Ministry of Finance

Note:

(1) Not including guarantees of individuals' deposits in Belarusian banks introduced by the President in November 2008. See "*Monetary and Financial System – Measures in Response to the Global Economic Crisis*" and "*Monetary and Financial System – Banking Sector*".

As at 31 December 2009, debt of enterprises in the agricultural sector represented 64 per cent., debt of enterprises in the industry sector represented 29 per cent., debt of enterprises in the construction sector represented 5 per cent. and debt of other sectors represented 2 per cent. of the total guaranteed debt.

Guarantees are approved by the Government in the case of central Government guarantees and by local government in the case of local government guarantees. Criteria considered in the approval of any guarantee include the financial condition of the borrower and the feasibility of the project. Each application for a guarantee involves an assessment of the project documentation and an audit of the financial condition of the borrower. Guarantees of the central Government and local government included in the public debt and are subject to the limitations on the total maximum amount of public debt imposed by the 2010 Budget Law, the Edict of the President of Belarus No. 245 dated 13 May 2010 on the issue of the Notes (with respect to the limit on external public debt) and local legislation.

Relationships with International Financial Institutions

Borrowings from international financial organisations have played a significant role in fostering economic and structural reforms in Belarus. The resources of these organisations provide long-term support for economic growth and stability of Belarus's financial system. Belarus's relationships with international financial institutions demonstrate its commitment to improving the country's investment environment and increasing the share of foreign investment in the economy.

IMF

Belarus's membership in the IMF has a significant role in developing international relations and financial and economic cooperation with international investors. In 1993 and 1995, during the first stages of transformation of Belarus's economy, the credit resources of the IMF facilitated structural reforms in the economy, monetary reforms and support of the exchange rate. Following the global economic crisis, Belarus's relations with the IMF became particularly important with U.S.$3.45 billion loaned to Belarus by the IMF as of 1 April 2010 pursuant to a 15-month stand-by programme. See "*The Economy of the Republic of Belarus – Effects of the Global Economic Crisis*".

In order to address its balance of payments difficulties, in January 2009 Belarus obtained a U.S.$2.5 billion 15-month stand-by programme with the IMF, which was increased to U.S.$3.63 billion in June 2009. As of 1 April 2010, an aggregate amount of U.S.$3.45 billion had been loaned to Belarus under the stand-by programme in five tranches. The provision of the stand-by programme by the IMF was conditional upon Belarus meeting certain quantitative targets and implementing a number of structural changes. The structural changes included reform in the financial sector and a greater commitment to privatisation. As at the end of December 2009, all quantitative and continuous performance criteria and structural benchmarks that were set under the IMF stand-by programme had been met by Belarus and other commitments under the programme had been largely implemented.

Belarus is also involved in consultations with the IMF in relation to improvements to the monetary and financial policy, the budget and tax policy and maintaining the stability of the financial system.

World Bank

Belarus has been cooperating with the World Bank and the IBRD, one of the institutions of the World Bank Group providing financing to states, on various projects since 1992. Currently Belarus has four ongoing infrastructure projects financed by the IBRD: a project aimed at rehabilitation of the Chernobyl area, a project aimed at modernising social infrastructure, a project to develop water supply and water discharge systems, and a project to improve energy efficiency. As at the date of this Prospectus, U.S.$63.0 million has been disbursed by the IBRD to Belarus for these projects. In December 2009, the World Bank approved the extension to Belarus of a development policy loan in the amount of U.S.$200 million, which has been fully drawn.

EBRD

The EBRD has been operating in Belarus since 1994. During this period, the EBRD has participated in 29 projects in Belarus with a total value of €390 million, of which the funding provided by the EBRD amounted to €292 million. The EBRD is investing exclusively in the private sector to encourage Belarus's transition towards a democratic society and a market economy.

In December 2009, the EBRD's Board of Directors approved a new cooperation strategy with Belarus for the 2010-2012 period. The EBRD's priorities in Belarus are expanding small and medium business finance programmes, technical and financial support of privatisation, improving energy efficiency and developing new sustainable sources of energy, supporting reforms and a modernisation of the ecological infrastructure and municipal services.

As at the date of this Prospectus, the EBRD and Belarus are working on a small and medium enterprises finance programme for a total amount of U.S.$37.5 million.

IFC

Belarus was the first of the newly independent states from the former Soviet Union to join the IFC in 1992. The IFC began its advisory and investment operations in Belarus in 1993. The total amount of investments made by the IFC in Belarus since 1993 is approximately U.S.$245 million. Currently, the IFC's operations in Belarus focus on reducing the state regulation of small and medium-size enterprises, improving accessibility of information to entrepreneurs and supporting entrepreneurs generally. In 2009, the IFC extended several trade finance facilities to Belarusian banks to support foreign trade operations, such as the U.S.$3 million facility provided to Minsk Transit Bank, the U.S.$30 million facility provided to Belgazprombank and the U.S.$30 million facility provided to Belpromstroibank.

Other Institutions

Belarus is also in the process of implementing a number of other projects with international financial institutions and development banks.

In December 2007, the EBRD, IFC and a number of other banks signed an agreement to launch the Belarusian Bank for Small Businesses (the "**BBSB**"), Belarus's first dedicated microfinance institution. The BBSB is cooperating with Belarusian commercial banks and will broaden access to finance for private entrepreneurs and small and medium enterprises in Belarus.

Belarus is currently in negotiations with the EU to become included in a mandate of the EIB, the long-term lending bank of the European Union. The EIB promotes the integration, balanced development and economic and social cohesion of the EU Member States, but also finances investments in future Member States of the EU and EU partner countries. As of the date of this Prospectus, the EIB has concluded framework agreements with Russia, Ukraine, Moldova, Georgia, Armenia and Tajikistan.

Belarus is also working on a framework agreement with the Nordic Investment Bank, an international financial institution of the Nordic and Baltic countries financing projects related to the environment.

GROSS EXTERNAL DEBT

Gross external debt, at any given time, is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payments of principal and/or interest by the debtor at some point in the future and that are owed to non-residents by residents of any economy.

The following table sets forth certain information with respect to Belarus's gross external debt as at the dates indicated.

	As at 31 December				
	2005	*2006*	*2007*	*2008*	*2009*
			(U.S.$ millions)		
General Government	606.8	589.0	2,036.3	3,597.2	4,924.1
Short-term	57.7	87.9	0.6	0.0	0.0
Long-term	549.1	501.1	2,035.7	3,597.2	4,924.1
Monetary Authorities(1)	0.7	0.7	596.2	429.9	3,862.6
Short-term	0.7	0.7	356.2	350.8	145.6
Long-term	0.0	0.0	240.0	79.1	3,717.0
of which:					
National Bank of the Republic of Belarus	0.7	0.7	596.2	429.9	423.7
Short-term	0.7	0.7	356.2	350.8	145.6
Long-term	0.0	0.0	240.0	79.1	278.1
Banks	948.3	1,486.7	2,570.8	3,081.1	3,553.0
Short-term	502.7	765.1	1,484.4	1,481.1	1,676.7
Long-term	445.6	721.6	1,086.4	1,600.0	1,876.3
Other Sectors	3,219.1	4,368.0	6,785.0	7,326.7	8,921.8
Short-term	2,736.0	3,524.8	5,517.6	5,724.5	7,306.2
Long-term	483.1	843.2	1,267.4	1,602.2	1,615.6
Direct Investment: Intercompany Lending	353.3	399.7	508.2	719.2	798.8
Gross External Debt	5,128.2	6,844.1	12,496.5	15,154.1	22,060.3
Gross External Debt/GDP, percent	17.0%	18.5%	27.6%	24.9%	45.0%

(1) In accordance with the methodology used for calculating the balance of payments, the IMF loan to Belarus in 2009 under the stand-by programme is included in the Monetary Authorities sector.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Belarusian Taxation

In accordance with the Edict of the President of the Republic of Belarus No. 159 of 26 March 2010, as amended (the "**Edict**"), the principal and interest in respect of the Notes payable by Belarus as issuer of the Notes to holders of the Notes who are foreign legal entities which do not undertake activities in Belarus through a permanent establishment will be exempt from Belarusian withholding tax on the terms and conditions established by the Edict and, accordingly, Belarus, as issuer of the Notes, shall make all such payments under the Notes without withholding or deduction for, or on account of, any such income tax.

Under Special Part of the Tax Code of the Republic of Belarus of 29 December 2009 income of Belarusian legal entities other than individuals that is derived from the Notes shall not be accounted as profits for tax purposes. Income of individuals, both resident and non-resident in Belarus, derived from the Notes shall be exempted from personal income tax in Belarus. Notwithstanding the above, income of Belarusian legal entities and individuals (and legal entities and individuals non-resident in Belarus derived from sources in Belarus) from sales of the Notes in the secondary market shall be subject to taxation in Belarus to the extent any sales price exceeds the then current value of the Notes (calculated by reference to the issue price of the Notes and the remaining interest payable on the Notes).

If, after the date of this Prospectus, a withholding tax is imposed on payments made under the Notes, the Issuer has agreed in Condition 7 of the Notes (the "**Tax Gross-up Provision**") to pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction (subject to the exceptions set out in that Condition). The Issuer understands that there may be doubt as to the enforceability of the Tax Gross-up Provision under the laws of Belarus. If, in such circumstances, the additional amounts were not paid by the Issuer under Condition 7, investors would have the right, in accordance with the provisions of, and subject to the time limits set out in, Condition 9 to declare their Notes immediately due and repayable at their principal amount, together with accrued interest as provided in the Conditions.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the "**Laws**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 20 per cent. and will be levied at a rate of 35 per cent. as at 1 July 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

(ii) *Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

SUBSCRIPTION AND SALE

BNP Paribas, Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc, Sberbank (Savings Bank of the Russian Federation) and JSC Savings Bank Belarusbank (the "**Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 30 July 2010, jointly and severally agreed to subscribe or to procure subscribers for the Notes at the issue price of 99.011 per cent. of the principal amount of Notes, less a combined management and underwriting commission. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has represented and agreed that except as to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (i) it has not offered or sold, and during the restricted period will not offer or sell, the Notes to a person who is within the United States or its possessions or to a United States Person and (ii) it has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period.

Each Manager has represented and agreed that it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling the Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules.

Each Manager which is a United States person represented and agreed that it is acquiring Notes for purposes of resale in connection with their original issuance and that if it retains any Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6).

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Belarus

Each Manager has acknowledged and agreed that in accordance with the Budget Code of of Belarus dated 16 July 2008, No. 412-Z (amended as at 29 December 2009) and Provisions on External State Borrowings (Loans) approved by the Edict of the President of Belarus No. 252 dated 18 April 2006 (amended as at 12 May 2009), the Notes may not be placed within Belarus.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "**FIEL**") and each Manager has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that no Notes have been or will be offered, sold or delivered, nor have copies of this Prospectus or of any other document relating to the Notes been or will be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Each Manager has further represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above has been or will be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Russian Federation

Each Manager has represented, warranted and agreed that it has not offered or sold or otherwise transferred and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter any Note to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

The Notes may not be sold or offered to or for the benefit of any person (including legal entities) that are resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law; it being understood and agreed that the Managers may distribute the Prospectus to qualified investors (as defined under Russian law) in the Russian Federation in a manner that does not constitute advertisement (as defined in Russian law) of Notes and may sell Notes to Russian qualified investors in a manner that does not constitute "placement" or "public circulation" of the Notes in the Russian Federation (as defined in Russian law).

Since neither the issuance of the Notes nor a Russian securities prospectus in respect of the Notes has been registered, or is intended to be registered, with the Federal Service for Financial Markets of the Russian Federation, the Notes are not eligible for initial offering or public circulation in the Russian Federation. Information set forth in this Prospectus is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer, the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

1. Authorisation

The issue of the Notes was duly authorised by the Edict of the President of Belarus No. 245 dated 13 May 2010 and by the Resolutions of the Council of Ministers of Belarus No. 420 dated 24 March 2010 and No. 758 dated 20 May 2010.

2. Approval, Admission to Trading and Listing

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instrument Directive (2004/39/EC). The total expenses related to such admission to trading are estimated to be €5,775.

3. Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0529394701 and the Common Code is 052939470.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. Litigation

The Issuer is not involved in any legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Issuer's financial position.

5. No Significant Change

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2009.

6. U.S. Tax

The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

7. Documents Available

Copies of the following documents will be available for inspection from the specified office of the Paying Agent for the time being in Luxembourg for so long as any of the Notes remains outstanding:

(a) the budget for the current fiscal year; and

(b) the Agency Agreement.

A copy of the Law of Belarus "On the budget of the Republic of Belarus for the year 2008" of 26 December 2007 No. 303-Z (as amended) and the Law of Belarus "On the national budget for the year 2009" of 13 November, 2008 No. 450-Z (as amended) (in the Russian language) may be obtained from the Issuer's website (www.minfin.gov.by). A copy of the Law of Belarus "On the national budget for the year 2010" of 29 December, 2009 No. 73-Z (in the Russian language) may be obtained from the national legal web-site of Belarus (www.pravo.by). No English translations of such budgets are available.

In addition, a copy of this Prospectus is available on the Luxembourg Stock Exchange's website at www.bourse.lu.

8. Yield

The Notes have an initial yield of 9 per cent. per annum (based on their issue price).

THE ISSUER

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