

Investment Series 2010



Belarus

Earlier this summer the Prime Minister of the Republic of Belarus, Sergei Sidorsky, invited China to take part in a package of investment projects worth an estimated US\$1 billion—the surest sign yet that 2010 is shaping up to be a watershed year for his country as it throws open its doors for business and welcomes in the outside world. It was also a signal to the global investment community that Belarus is determined to take proactive steps to avoid the pitfalls of what Sidorsky calls a “wait-and-see approach” to the global financial crisis.

This is not to say that the credit crunch and global economic downturn have passed Belarus by. But unlike some of its EU neighbors, Belarus is already coming out the other side. GDP is projected to grow by 11-13% this year and capital investment by 23-25%, largely due to the government’s sustained efforts to attract FDI. “The whole country is tuned to attracting foreign investment,” says its Minister of Finance, Andrei Kharkovets. “It is the main task on the government’s agenda.”

Among the country’s principal attractions for investors are its strategic location and its potential for technology growth, according to Aleksandr Mikhnevich, Ambassador to the Republic of Belarus in London. “We are at the crossroads of Europe,” he says, “and while we have excellent roads, we would like to bring them up to European standards. We also have a good telecommunications system, relatively high levels of Internet usage for the region, and we were one of the first former Soviet Union countries to develop a high technology park.”

The privatization of a large swathe of state-owned assets lies at the heart of this initiative, according to Economy Minister Nikolay Snopkov: “This year’s key objective is to restore the economic growth we had before the crisis,” he says. “First of all, we would like to see investments into energy and infrastructure.” It is also likely to herald a new era of *entente* between Belarus and its potential international partners. “Disengagement actually doesn’t work,” says Minister of Foreign Affairs Sergei Martynov, “and the road to engagement will not only benefit Belarus but is a two-way street that will work to everybody’s mutual advantage.”



Banking on increasing investment

While energy and infrastructure have been earmarked as the key sectors in Belarus’s privatization program, several state-owned financial institutions are also being put up for sale. These include Paritetbank, whose recent history is fairly typical of the cluster of banks that sprung up during the country’s initial foray into market socialism 20 years ago.

Some 40 commercial banks were established in Belarus between 1988 and 1999. Around the turn of the century, the privatization process decelerated, increased state expenditure fueled inflation, and the banking sector’s exposure to bad debts on a string of ill-conceived projects peaked at 11%. As a consequence, 15 of the new banks went to the wall while others—including Paritetbank—were in effect renationalized.

The wheel is now coming full circle for Paritetbank, whose current chairman, Sergei Pankovets, was appointed three years ago with the express mandate of preparing the bank for sale. “We are paying a lot of attention to the bank’s business reputation, underlying demand for its products and service, the quality of management and



www.deltabank.by

personnel, its current financial position, and its profit projections,” he says. Pankovets has a good story to tell potential investors: Having been given the

specific task of providing banking services to the country’s emerging SME sector, Paritetbank now ranks among the country’s top ten financial institutions, and profits for 2009 stood at around €4 million. The bank boasts 80,000 customers and 12 branches, with three more opening this year. It plans to remain true to its roots by opening up further credit lines for small businesses and start-ups.

The privatization process will take place under the watchful eye of National Bank chairman Petr Prokopovich, who is justifiably proud of the rude health in which the country’s banking sector has emerged from the global recession. “The financial troubles in the rest of the world practically made no impact on the country,” he says. “Our banking system functioned stably in the last 12 months; profits increased by 1.5%, while the banks’ resources and assets increased by more than 30%. By and large, our banking sector is stronger now than it was before the crisis.”

A stable, flexible, and user-friendly banking infrastructure is a key criterion that overseas investors take into consideration before entering a new market. It is a box that many of Belarus’s 30 or so banks can tick, and none more so than Delta Bank. Although it only opened its doors for business in 2001, the bank has already gained a reputation for reliability and strong growth.

Having been set up with the specific task of providing banking services to the country’s emerging SME sector, Paritetbank now ranks among the country’s top ten financial institutions.

Part of its success lies in a business model that has been deliberately designed to accommodate the needs of inward investors. “We recently revised our growth strategy so that we could develop as a universal bank, servicing SMEs and private companies (including foreign investors) as well as the Belarus consumer market,” says one of its major shareholders, Irina Partnova. “We plan to attract around 3,000 legal entities and private individuals as





Petr Prokopovich, Chairman of the National Bank of Belarus, greets his counterpart, Chairman of the National Bank of Ukraine Volodymyr Stelmakh—a clear example of Belarus’s increasing international business appeal.

customers by the end of the year, and we are confident that foreign investors will find us to be not just a reliable partner, but

also valuable consultants who are well-informed about developments and issues in our country,” she continues.

“We are young and energetic, and we are fast decision-makers. We also intend to be the first bank from Belarus to open a subsidiary in Europe.”

This ability to move quickly to adapt to changing market conditions and customer needs is a recurring theme among the Belarusian banking community, and probably has something to do with the cosmopolitan nature of its ownership structure. There are currently 31 functioning banks in the country, the vast majority of which enjoys some element of foreign investment and ten of which are fully foreign-owned.

In 1994, for instance, Lebanon’s Fransabank Group acquired and rebranded the Golden Taler Bank partly because, in the words of Fransabank chairman Ibrahim Koleilat, “Lebanon and Belarus are similar in size and fulfill a similar function as transit countries.” All such trading hubs require liquidity to thrive. In recognition of this, Fransabank has diversified from its core business of loans, deposits, and credit cards for both the SME and retail sectors to open 30 foreign exchange offices; it has also moved into the car rental market. Koleilat considers Belarus to be a “perfect, promising market.” He is not alone. ■




Belarussian bank.
Member of international
FRANSABANK GROUP.

**We help make
your investments
successful.**

3 Tatarskaya Str Minsk, 220035 Republic of Belarus	Tel.: +375 17 226-62-98 +375 17 226-73-69 Fax: +375 17 203-06-40	SWIFT: GTBNBY22 E-mail: office@fransabank.by www.fransabank.by
---	---	---

The construction boom is shaping a modern landscape

With a significant proportion of China's recent investment commitment set aside for the development of manufacturing plants, power stations, and the creation of Minsk's very own Chinatown, the medium-term outlook for Belarus's construction industry is bright.

In reality, the construction industry is already booming on the back of the government's plans to upgrade its transport and logistics infrastructure. Commercial real estate has been one of the faster growing parts of the Belarusian economy in recent years, and the residential sector has also benefited from increased demand for high-quality private housing.

Stringent efforts have been made to ensure that the building and construction materials required to meet demand can be locally sourced. "We have modernized more than 100 enterprises in recent years and have introduced new capa-



Urushye station in the Minsk Metro is an example of the progressive transport infrastructure being built throughout Belarus.

city that complies with European standards," says Alexander I. Seleznyov, the country's Minister of Architecture and Construction. "This means that we can provide local construction companies with our own products and materials."

It also means that an increasing number of those products and materials are ready for export. "Our products now comply with European certification standards," explains Nikolai Zhuk, General Director of tile manufacturer Beryozastroymaterialy, "and we would certainly like to distribute them in the EU. A brand presence in Western markets is important, and the quality of our products can compete with any European brands." ■

Innovating
Telecommunications
in CEE.

We connect people to the future of telecommunications. Telekom Austria Group is headquartered in Austria, operates in 8 countries and has more than 16,000 employees serving around 20 million customers.
Hannes Ametsreiter, CEO Telekom Austria Group

www.telekomaustria.com

TELEKOM AUSTRIA GROUP *Innovating with you*

Belarus offers huge potential for technology and telecom growth

In the five years since President Alexander Lukashenko opened the country's first High Technology Park on the outskirts of Minsk, Belarus has won a reputation as an international information technology hub to rival India and China.

This is partly a reflection of the highly skilled workforce that Belarus's schools and universities are turning out year after year. The emergence of this knowledge-based economy is in turn partly responsible for sparking a boom in the mobile telecommunications sector that has seen foreign investors queuing up for a slice of the action.

Demand for mobile phones has soared in recent years, with penetration reaching over nine million towards the end of 2009—well over 90% of the population. It is little wonder, then, that this is a fiercely competitive market with two major operators—MTS and Velcom—slugging it out for market share.

With broadband becoming increasingly available across the country, the stakes are high. "The real growth potential lies in data services and access to content," says Vladimir Karpovich, General Director of MTS. "We predict a tenfold increase in

consumption during the next five years as greater accessibility and speed of transmission will allow new services [such as mobile commerce, video, online games, and phone apps] to be developed more actively.” Karpovich wants MTS to be part of this brave new world: “While we currently cover 97% of the country and reach 99% of the population, it’s much more difficult to retain the position of market leader than to become it. That’s why it is important not to rest on our laurels and to stay one step ahead.”

Helmut Duhs, CEO of Telekom Austria Group’s local subsidiary Velcom, believes that maintaining forward momentum will be essential, and he intends building on the company’s core strengths: “We are positioned as a reliable and high-quality service provider and have traditionally focused not just on the business and high-quality end of the market, but also on the governmental sector where clients need a truly reliable partner.” Where Velcom goes next will be largely dictated by how the Belarus market develops. “Telekom Austria Group does not have a unified brand presence in all of its markets,” Duhs says. “‘Think global, act local’ probably best sums up our approach.”

While the presence of two such well-established operators may make it an uphill struggle for any new players to enter the market as service providers, the government’s commitment to accelerating the convergence of IT and telecommunications suggests that there are still plenty of other investment opportunities in the sector. “We are ready to collaborate with and actively support companies looking to invest in the production of technology solutions for telecommunications equipment, and both fixed and wireless network solutions,” says the country’s Minister of Communications and Informatization, Nikolai Pantelei. ■

Historic sites and delights await the cultured and curious

In 2014, Minsk will play host to the International Ice Hockey Federation World Championships.

The thousands of ice hockey fans who descend on the Belarusian capital for this annual event can expect to enjoy not just high-quality accommodation and transport facilities, but also a cosmopolitan city graced with an abundance of boulevards, parks, theaters, museums, and a small but handsome smattering of churches and historical architectural sites that have survived

the ravages of the Soviet era—not to mention some of the world’s finest examples of Stalinist architecture.

Those fans needing a break from the organized violence on the rink could do worse than gather their thoughts by visiting the internationally popular Boulevard Café, just off Minsk’s main arterial street, Independence Avenue. “The café has an impeccable reputation among Minsk’s diplomatic staff and



The newly built ice hockey arena in Minsk is the third-largest sporting venue of this type in Europe, with a capacity of 15,000 spectators.

other expats living here,” says its owner, Dmitry Neverkevitch, who also happens to be General Manager of the local Europcar car rental franchise. “You will definitely enjoy the delicious food, the friendly service—and the perfect view from the best terrace in town.”

The more independent traveler could also do a lot worse than renting a car to visit one of Belarus’s four World Heritage sites: the 16th-century Mir and Nesvizh castles; the Białowieża Forest—an ancient woodland on Belarus’s Polish border; and, most distinctive of all, the Struve Geodetic Arc—a chain of survey triangulations stretching from Norway to the Black Sea that were erected in the 19th century to establish the exact size and shape of the earth.

Reaching these sites under your own steam is not a problem as both Europcar and Hertz have well-established operations, with headquarters in Minsk. Both companies have many years’ experience catering to both diplomats and the expatriate business community, and fully understand that their customers’ priorities are safety and convenience: “With Europcar you rent more than a car—whether driving or being driven,” says Neverkevitch. “None of our cars are more than two years old,” says Hertz General Manager, Sergey Blakhov, “and we only employ highly educated and professional English- and German-speaking drivers with many years’ experience.” ■

