



Ukraine and South Central Europe Hub*

Newsletter ● December



Business and Investments

Ukraine – Swiss-headquartered Nestle announced on Dec. 7 that it has launched a new production line at the group's Lviv-based Svitoch chocolate factory that will produce so-called '3 in 1' packets of instant coffee beverages. The leading world producer of nutrition, health and food products said it invested some Euro 1,8 million to build the new production line. Nestle, one of a handful of multinational companies which has continued to invest in Ukraine despite this year's recession, said it would this month open a new logistics center in Smolygiv, Volyn oblast. About Euro 20 million is being invested into the new facility, which will handle more than 250 tons of raw materials and finished goods each year.

Ukraine – Ukraine landed a record \$ 2.5 billion arms deal with Iraq on week 50 to supply 420 BTR-4 armored personnel carriers, six AN-32B military transport planes and other military hardware. Brazil could soon sign contracts to purchase Ukraine's Oplot tanks, Prime Minister Yulia Tymoshenko said during a Dec. 5 visit to the Kharkiv-based Morozov bureau. The facility designs tanks and other military vehicles, including armored personnel carriers, which are produced by the city's Malyshev tank plant. The announcement follows a Dec. 1-2 visit to Kyiv by Brazil's president, Luiz Inacio Lula da Silva. Tymoshenko gave no indication of how much the contract is worth. She said Libya was also eyeing Ukrainian-made tanks.

Romania – Companies that will invest in energy and natural gas distribution networks can benefit from EUR 4 million non reimbursable funds during the next three years. Brussels approved the aid scheme proposed by Romania and it will be in place until 2013, with a total budget of EUR 28.4 million. The program finances between 40% and 70% the investment by small and medium sized companies, as well as by large companies.

Romania – The Ministry of Transport will auction next year infrastructure projects worth approximately EUR 2 billion. 550 km of national roads will be rehabilitated, 50 km of motorway will be built and 24 km of ring-roads.

Moldova – EBRD will grant a USD 12 million loan to Moldova for the development of the agricultural infrastructure. Trans Oil Group will benefit from this loan, as it is the biggest cereal supplier on the Moldovan market. Trans Oil Group buys cereals from small and medium producers and exports them to countries from North Africa, Middle East, Turkey and the EU. The group own approximately 60% of the total cereals volume exported by Moldova.

Bulgaria – World Bank (WB) will grant Bulgaria EUR 81 million to improve the quality, the accessibility and the reliability of water resources at local level. At present in some parts of Bulgaria, access to reliable water resources of high quality is difficult due to a series of dry years, especially between 2000 and 2007. The World Bank project also includes plans for providing water and sanitation in 48 communities, including urban areas. The construction of three dams and the reconstruction of the fourth is also planned.

Bosnia and Herzegovina - Bosnia and Herzegovina has applied for a loan from the European Bank for Reconstruction and Development ("The Bank") towards the cost of reconstructing and modernising the electricity distribution infrastructure in Bosnia and Herzegovina, enabling the three local power utilities (Elektroprivreda Bosne i Hercegovine ("EPBiH"); Elektroprivreda Republike Srpske ("EPRS") and Elektroprivreda Hrvatske Zajednice Herceg Bosne ("EPHZHB")) to improve reliability and quality of electricity supply, reduce losses and improve energy efficiency. The proposed project has a total estimated cost of Euro 55 million, proposed to be financed by the EBRD.



Politics and Economy

Ukraine – On the second day of its meeting in Funchal, Madeira, the UEFA Executive Committee examined and discussed the state of infrastructure preparations in Ukraine in respect of the final tournament of the 2010-12 UEFA European Championship. After careful consideration of the documents and guarantees submitted to UEFA by the Ukrainian Government and the cities of Donetsk, Kharkiv, Kyiv and Lviv during the last couple of months, the infrastructure report prepared by the UEFA administration and after consultation with the host associations, the UEFA Executive Committee took the following decisions concerning the selection of host cities for UEFA EURO 2012: to confirm Kyiv as the venue of the final match of UEFA EURO 2012; to confirm Donetsk and Lviv, and to appoint Kharkiv as host cities for group matches of UEFA EURO 2012.

Ukraine - Ukraine is requesting around 2 billion U.S. dollars in emergency loans from the IMF to overcome an "extremely difficult" financial situation, but the IMF made no reply to the request yet. Ukraine has received 11 billion dollars of a 16.4 billion dollars IMF loan. The IMF has suspended the rest of the money since early November, stressing Ukraine needed to implement economic reforms before IMF would hand over any more. Cooperation with the IMF has been suspended twice after Ukraine failed to keep pledges to cut the budget as political leaders battled ahead of the elections. The government of Ukraine also refused to raise natural gas prices for households and failed to adopt laws to stabilize the financial system.

Romania – Mr. Traian Basescu, president of Romania between 2004 and 2009 and candidate on behalf of the Democrat-Liberal Party, has won a second term for the next 5 years following two rounds of elections against the Social-Democrat Party's candidate, Mr. Mircea Geoana. Amid the political uncertainty that dominated Romania between the months of October and December, a delegation from the International Monetary Fund and the European Commission arrived in Romania on Monday, 14th of December, one week after the 2nd round of elections, to discuss a loan to the country that has been frozen following the political crisis. The delegation met the Romanian authorities to discuss the 2010 budget, which has to be approved by Parliament and is crucial to the decision to free up a EUR 1.5 billion installment of an IMF loan. It will not release the money following this visit, but the IMF and the European Commission said a review mission could return in January, once a new cabinet has been formed and has set out its program. A EURO 20 billion loan was approved in March by the IMF, the EU and the World Bank to help Romania during the economic turmoil.

Bulgaria – In October 2009, Bulgaria's export registered a record monthly growth for the last year. According to data of the Bulgarian National Bank, Bulgaria's export grew by 15% in October compared to September 2009, reaching EUR 1.21 billion. In January-October 2009, Bulgaria has a negative foreign trade balance of EUR -3.5 billion, which is twice smaller compared to the first ten months of 2008. Bulgaria's foreign direct investments in January-October 2009 amounted to EUR 2.33 billion – which is also twice smaller than the EUR 5.87 billion attracted in the first ten months of 2008. At the end of October 2009, the foreign direct investments cover 95% of Bulgaria's current account deficit.

Georgia - Moscow on 28 December gave a Georgian airline permission to fly to Russia for the first time since the two countries fought a war last year, but Georgian Airways said the permission came too late to organize the flights. Russian President Dmitry Medvedev last month announced a series of moves to restore ties between the Georgian and Russian people, but warned there would be no official contacts as long as Mikheil Saakashvili remained president. Ties between the Georgia and Russia have been frozen since the countries fought a brief war in 2008 after Georgia tried to retake the breakaway South Ossetia region by force. In the first sign of thawing ties, Medvedev said earlier this month that he saw no obstacle to the resumption of flights and the granting of visa-free travel in Russia for Georgian citizens. Moscow last week announced the opening of a key border post between the countries for the first time since the war

***This is the last issue of the Newsletter in the HUB's present composition. Starting from January 2010 the HUB will comprise Ukraine, Romania, Moldova, Armenia and Georgia. Other countries will go over to the South Europe Region and will be managed from the STC office in Athens.**