



Ukraine and South Central Europe Hub

Newsletter ● November



Business and Investments

Romania – The Ministry of Economy has signed contracts with 5 companies and one local authority for investments in heat and electricity production units. The total value is EUR 64 Million, from which 42% are covered by EU non-reimbursable funds. The projects were submitted within the Romanian Operational Program “Improvement of Economic Competitiveness” and the final outcome will be a capacity of 31,557 MW electricity output and 30,55 MW heat power output equivalent.

Romania – The state-owned hydropower producer Hidroelectrica plans to build 20 hydropower units by 2025, with an installed power of 843 MW, following a 1.9 billion euro investment. Hidroelectrica is the largest electricity producer in Romania and it is majority owned by the Ministry of Economy. The company counts more than 5,000 employees and covered 26 percent of Romania's electricity output in 2008 with its 326 units that have a total installed power of 6,335 MW.

Moldova – The number of subscribers to broadband internet services has almost doubled in comparison with the same period of 2008, reaching 150 000 during the first half of 2009. The penetration rate of fixed internet access per 100 inhabitants has increased by 32.9 % to 4.9%, while the rate for broadband internet access increased by 95.8% to 4.2%. During the first quarter of 2009, the turnover of the Internet and data transfer market increased by 42.9% to EUR 12.9 Million, compared to the same period of 2008.

Bulgaria – The European Commission announced that it had lifted a freeze on millions of euros in potential aid to Bulgaria after Sofia improved its management of EU funds. 82.563 million euros (123.4 million dollars) were freed up in aid money for which Sofia would have to apply. In September, the commission unblocked EU member Bulgaria's access to some 19 million euros in so-called SAPARD farm aid funds, after Sofia implemented an action plan to address concerns about the use of the aid.

Ukraine – The World Bank has expressed support for the general plan for reforming Ukraine's healthcare system and is ready to help in attracting international institutions to provide money for these reforms. Ukrainian Health Ministry is planning to develop a three-level system of health care. The special attention should be paid to the initial stage of training a sufficient number of highly qualified family doctors. The next step will be reforming emergency medicine. The third stage will include the provision of specialized medical aid. The World Bank supports the general plan of reforms and sees the need to attract investments at the initial stage.

Ukraine – EBRD will provide 27 million US dollar for the construction of a logistic centre in the Odesa sea port. The credit will be allocated by Euroterminal company, specially established for the project.

Armenia – EBRD and HSBC Bank Armenia have signed a co-financing agreement, amounting to USD 10 million. The facility helps HSBC Armenia to support large corporate borrowers with their business expansion, which is currently restricted by the “Single Borrower Normative Ratio” stipulated by the Central Bank of Armenia.



Politics and Economy

Romania – Romania's budget submission has been delayed due to failure to install a new government. Following the presidential elections from the 22nd of November, a new government is going to be subject of approval by the Parliament. Therefore, the 3rd part of the IMF loan is possible to be received at the same time with the 4th, middle of March 2010. At the same time, nine of the top 10 banks in Romania met with the IMF, European Commission, National Bank of Romania, World Bank, EBRD and BEI in Brussels on the 18th of November to discuss and agree on maintaining their exposure on the Romanian market.

Moldova – Moldova has signed a financing agreement of USD 24 Million with the World Bank on the 17th of November. The agreement aims at improving the companies' competitiveness by means of credit lines in the banking system. The same week, on the 18th of November, the new government of the Republic of Moldova has approved the Program for Stability and Recovery of the Economy for 2009-2011. The program provides three basic chapters: the stabilization and optimization of public finance, business recovery, and assurance of a fair and effective social protection.

Bulgaria – The Bulgarian economy will start to recover in 2011 according to Bulgaria Prime Minister Boyko Borisov. He added that "the Government will follow the policy that helps the European development of Bulgaria... we are committed to maintaining a balanced budget, which includes EU funds and programs... Maintaining the currency board arrangement, prudent fiscal policy and a stable banking system will create the most adequate conditions for economic recovery and are important in our negotiations for accession to ERM-2." Borisov concluded; "As a result of the later manifestation of the negative effects of the crisis in Bulgaria the estimate for the national economy in 2010 is for a 2% downturn. Restoration of the positive development of the economy is expected to begin in 2011."

Ukraine – Ukraine has signed a number of documents during the meeting of the Council of CIS Heads of Governments in Yalta, Crimea. Among the documents are the following: agreement on more intensive energy sector cooperation among CIS member-states; agreement on joint efforts aimed at overcoming the consequences of the world financial crisis; agreement about the coordinated development of international transport corridors; decision about various guidelines for cooperation in the innovation sector; document aimed at strengthening efforts on fighting HIV/AIDS.

Ukraine – The Ukrainian Ministry of Fuel and Energy, the Russian Energy Ministry in cooperation with Naftogaz Ukrainy and Gazprom are to draft a new inter-governmental agreement on gas cooperation in the first half of 2010, according to a protocol signed by the Russian and Ukrainian Prime Ministers after a session of the bilateral committee on economic cooperation. The two countries will also formalize Gazprom's waiver of fines for Ukraine's underutilization of gas in 2009.

Ukraine – As the government on November 19th announced an end to a three-week national shutdown of universities and schools, panic over the flu epidemic subsided somewhat in Ukraine. Health authorities doubted whether a new deadly strain of the virus existed in Ukraine. They said the fatality rate is in line with neighboring Poland and Russia. Officials have confirmed only 225 cases of H1N1 or swine flu, including 17 deaths. However, concerns remain high because the death toll is likely to grow higher and 1.5 mln people remained sick as of November 18. Moreover, health officials expect a second wave of the outbreak in December or January.

Armenia – The Organization for Security and cooperation in Europe says a meeting on 21-22 November between the presidents of Armenia and Azerbaijan produced progress but no solution to their dispute over the Nagorno-Karabakh enclave. Nagorno-Karabakh is an enclave in Azerbaijan that has been under the control of ethnic Armenian forces since a six-year conflict that killed about 30,000 people and displaced 1 million before a truce was reached in 1994.