

## Ukraine and South Central Europe Hub

Newsletter ● October

Ukraine	Romania	Serbia	Bulgaria	Georgia	Armenia	Moldova	Montenegro	Bosnia & Herzegovina
								

### Business and Investments

**Ukraine** – Scania, Sweden’s truck and bus manufacturer, announced on Oct. 2 that it had opened a new head office and service workshop just outside Kyiv. Scania said the 10 million euro project demonstrates their dedication further east into promising emerging markets. Leif Ostling, Scania’s President and CEO, turned a symbolic key to launch the new facility during an opening ceremony. One of Scania’s largest in Eastern Europe, it includes a training center for service technicians, drivers and others as well as a central warehouse for the Ukrainian market. “Our sales of trucks and buses for domestic service will increase, so we are planning to establish new service workshops in western and southern Ukraine during the next few years,” said Ozcan Barmoro, managing director of Scania Ukraine.

**Ukraine** – Ukraine is to receive USD 1,7 billion to help pay for energy reforms and secure supplies of Russian natural gas to Europe. The EBRD will provide USD 300 million for immediate working capital and up to USD 450 million in 2010 for investment. Another USD 500 million and USD 450 million will come from the World Bank and European Investment Bank respectively.

**Serbia** – Two low cost carriers are soon expected to open traffic between the Serbian airport Konstantin Veliki in Nis and Italy, Germany and Sweden respectively. The recent ratification of the open skies agreement makes it easier for foreign low cost companies to fly to and from Serbian airports. The soon expected removal of the visa regime for Serbian citizens will probably further increase demand for low cost tickets.

**Bulgaria** – Bulgaria and Romania are going to build two hydro-power plants, for which they will quickly try to secure EU money. This was announced by Tudor Serban, Secretary of the Romanian Economy Ministry. Specialists from the two countries are going to meet in order to craft a memorandum, which they will present to the EU institutions. The memorandum for cooperation between Bulgaria and Romania is expected to be signed within a month.

**Romania** – The ICT sector in Romania has proven its competitiveness with more than half of the Romanian companies registered in the Deloitte Central Europe Technology FAST 50 qualifying for the final top 50. Two companies entered top 10 by securing 2<sup>nd</sup> place and 8<sup>th</sup> place. The competition puts Romania on the 4<sup>th</sup> place among the participating countries, with most of the companies being active in the software development field. The ICT sector contributes 8% to the country’s GDP, being ranked 3<sup>rd</sup> in the world in terms of services outsourcing.

**Moldova** – The Government is preparing a Stability Plan which aims at stabilizing the finances, at bringing the country on a positive growth path and at providing social protection for the population. EBRD’s prognosis for 2010 is a 1.5% GDP growth.

## Politics and Economy

**Ukraine** – The campaign of election of the President of Ukraine officially started in Ukraine on Monday, October 19. The nomination of the candidates for the post of the President of Ukraine starts on October 20, 2009 and finishes on November 6, 2009. The first round of elections will take place on 17<sup>th</sup> January 2010. There are two main candidates who will most probably run for the second round: Prime Minister Mrs. Yulia Tymoshenko and leader of the “Party of Regions” party Mr. Viktor Yanukovich. According to the various public-opinion polls Yanukovich is currently 5-7% ahead of Tymoshenko in public support, which is bare advantage. President of Ukraine Mr. Viktor Yushchenko, who will also run for presidency, has only 3-4% of population support and does not have chance to be re-elected for the second term.

**Armenia** - Turkey and Armenia signed a landmark agreement on October 10<sup>th</sup> in Zurich in presence of Swiss Foreign Minister Micheline Calmy-Rey, French Foreign Minister Bernard Kouchner and US Secretary of State Hillary Rodham Clinton to establish diplomatic relations and open their sealed border after a century of enmity. The accord is expected to win ratification from both nations’ parliaments and could lead to a reopening of their border within two months. It has been closed for 16 years. This accord establishing diplomatic ties that could reduce tensions in the troubled Caucasus region and facilitate its growing role as a corridor for energy supplies bound for the West.

**Serbia** – The European Bank for Reconstruction and Development (EBRD) foresees that the Serbian economy will return to positive grounds next year with an estimated economic growth of 1 per cent in 2010, which is a substantial improvement from the -4 per cent estimated for 2009. The Serbian Government is somewhat more positive suggesting a growth of 1,5 per cent during next year. The Prime Minister has also expressed his belief that an agreement will soon be made with the IMF regarding the discussed stand-by agreement of around 2.9 billion US-dollars.

**Bulgaria** – The Bulgarian government is considering the possibility to ask for EUR 1 billion loan from the World Bank for prioritized projects. The projects have not yet been clarified but according to Rosen Plevneliev, Minister of the Ministry of Regional Development and Public Works, the money will go to sewage treatment plants, infrastructure and different programs. It is expected that discussions with financial institutions to begin towards the end of the year.

Earlier it became clear that Bulgaria will ask for another EUR 1 billion loan from the European Investment Bank.

**Romania** – On October 1<sup>st</sup>, the Romania’s Social Democrats, the junior member of the ruling coalition, resigned from the government after a minister was fired. The interim government is looking at obtaining a majority, as the President and the Parliament of Romania have to decide who is going to be the interim Prime-minister. Romania is also looking at the presidential elections coming up on the 22<sup>nd</sup> of November. The political situation in Romania hasn’t had an impact on the agreement with the IMF and the country is waiting for the third part of the loan – EUR 1.5 billion.

**Moldova** – Presidential elections are to take place on October 23<sup>rd</sup>, but they might be postponed as there is only one candidate running, the leader of the Democrat party, Mr. Marian Lupu. The country is also looking at the IMF agreement, as negotiations are under development. The signing of the memorandum is expected to take place on October 26<sup>th</sup>.