

Ukraine and South Central Europe Hub

Newsletter ● September

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Business and Investments

Ukraine – The World Bank is ready to consider the allocation of \$350 million as next loan to Ukraine, World Bank Director for Ukraine, Belarus and Moldova Martin Raiser has announced. Raiser said that the issue concerned infrastructure development, raising energy efficiency, reform of the energy and municipal sectors, pension system and healthcare, tax and administrative reforms, as well as reform of the court system and the sphere of government procurement.

Georgia – Georgian Railway LLC with the help of a loan from the European Bank for Reconstruction and Development is going to construct a new railway route bypassing the central area of the city of Tbilisi. The total cost of the project is preliminary estimated of Euro 230 mln. The following goods, works and services will be procured: civil works contracts for the construction of about 30 km of the railway infrastructure (to include embankment, level crossing); construction of tunnels, bridges and other artificial constructions.

Romania – International Monetary Fund will allocate 908.8 million SDR (roughly 1.4 billion dollars) to supplement the country's foreign exchange reserves, as this can be changed into various currencies such as the dollar, euro, yen or British pound by voluntary commercial agreements with other IMF members. This gives potential access to unconditional financial resources that can limit the need of adjustments by contracting policies and allow a greater freedom for the stabilization policies amid the recession and rising unemployment.

Moldova – The unemployment rate has doubled in the second half of 2009 to 6.1% and the industrial output has also decreased by 24.9%. The National Bank of Moldova has decreased the policy rate to 7%, thus returning to the banking system 23 million EUR, 25 million USD and 713 million lei.

Bulgaria – The country's economy may show the first signs of recovery at the beginning of 2010 and is likely to start a rebound in the spring next year, according to the Bulgarian Ministry of Finance. Bulgaria's economy is going to shrink by 2% in 2010, and will recover only in 2011 with a projected growth of 3.8%. Bulgaria's GDP is expected to drop by 6.3% in 2009. The forecast is based upon expectations that the EU economy will shrink by 4% in 2009, and by 0.1% in 2010; it is expected to grow by 2% in 2011.

Serbia – The reconstruction of the Gazela bridge, which connects the two parts of Belgrade over the river Sava, has started. The works will be performed by Strabag and take around two years time to complete. The project is seen as of highest national importance since the bridge, which currently is loaded with around four times the projected amount of traffic, is a vital part of the pan-European transport corridor 10 which connects Serbia with Central Europe as well as the near East. The EIB and EBRD are together financing the project with 58 million Euros. Significant further investments are expected along this transport corridor within short.

Politics and Economy

Ukraine – Ukrainian President Viktor Yuschenko predicts that the country's total grain export for 2009 will come to around 18 million tonnes. The U.S. Department of Agriculture increased its forecast for Ukrainian grain exports for the current agricultural year (July 2009 – June 2010) by 3 million tonnes to 17.02 million tonnes in comparison with its forecast last month. According to statistics, Ukraine exported 24.7 million tonnes of grain for the 2008-2009 agricultural year. As a result, export for the current agricultural year can drop by 31.2%.

Romania – The Government has approved a budget revision as of 30th of August, built on a prognosis of 8.46% contraction of the economy in 2009 and an inflation rate of 4.3%. Some EUR 225 Million have been added to the already existing budget for infrastructure projects. Consequently, the Government has agreed to modify the fiscal code in order for the reinvested profit to become non-taxable as of 1st of October 2009.

Moldova - The Government is trying to achieve political stability, with Vladimir Voronin's announcement on his resignation, in order to be able to concentrate on signing of treaties with the IMF, World Bank, EBRD and a long term collaboration with the EU.

Bulgaria – A mission of the International Monetary Fund, headed by Bas Bakker, will visit Sofia from September 10-21. The mission help the new government assess the fiscal situation in 2009 and 2010 and plans to disseminate its main conclusions at the end of its visit. Earlier this week the Bulgarian Finance Minister Simeon Djankov said securing a loan from the International Monetary Fund, following Latvia, Romania, Hungary and Ukraine among others, to support the currency peg to the euro, is not an immediate priority for the Bulgarian government. So far, the government has not turned to the International Monetary Fund for a loan to help it cope with the effects of the global financial crisis

Serbia – President Boris Tadic has recently visited China and declared that the relations with that country are equally strategically important as relations with the EU, U.S and Russia, which has caused confusion about the country's intentions and strategies in foreign relations. Belgrade's idea is to obtain support from all four sides for some of its strategic goals and thus obtain a high degree of neutrality, an idea that can be traced back to the time of the Socialist Federal Republic of Yugoslavia. However, despite visits and declarations, the estimates are that the EU is and will be the most important partner for Serbia. President Tadic and other ruling coalition officials keep declaring EU membership as the country's priority goal.