

BUSINESS COUNCIL
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One of the strategic goals and objectives of the International Secretariat of BSEC Business Council is to turn itself into a hub of a business information and cover the Wider Black Sea Region as a whole to provide the BSEC countries with opportunities inside and outside of the region. In order to realize this objective, the International Secretariat of BSEC Business Council prepares a monthly economic news bulletin, which includes news about tenders, exhibitions, conferences, B2B and matchmaking meetings and the key economic developments within the BSEC Countries in a wide range of sectors.

The bulletin along with a brief overview of the latest news is intended to provide an outlines of fiscal developments of the BSEC countries, as well as the most up-to-date forecasts, research and statistics on the economy at both the national and regional levels. The bulletin also provides analysis of current and future economic conditions, risks, and economic outlook of each BSEC country.

The monthly economic news bulletin is designed with the aim of being both informative and accessible to wider readerships. It is an important tool in this regard and also available online at the International Secretariat's website at www.bsecbc.org.

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ALBANIA



SEECP member countries support the granting of Albania's candidate status

The meeting of the Council of Foreign Ministers of member countries of the South- East European Cooperation Process (SEECP) was held in Bucharest, in the framework of the Romanian Chairmanship. Present in this meeting were Foreign Ministers of 12 member states, as well as representatives from the European Commission and other organizations and institutions active in the region.

In his speech, Albania's Minister Bushati underlined the willingness of the Albanian Government to encourage good neighborly relations and comprehensive cooperation with SEECP member states and praised the full support of member countries to grant Albania the candidate country status in June, considering the European integration process a national objective for Albanians. This was the last meeting organized by the Romanian Chairmanship, before our country takes over the organization's Chairmanship for the period 2014-2015. In this context, Mr. Bushati, in his speech during the meeting and in response to the interest of journalists at the press conference, pointed out some key priorities of our Chairmanship and underlined that Albania remains fully committed and motivated to provide its contribution to a successful lead during this process. All member countries expressed their assessment and full support for the Albanian Chairmanship of SEECP.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194564>

EU agrees to grant candidate status to Albania

At the General Affairs Council meeting in Luxembourg, Ministers from the EU Member States have agreed – based on the recommendation by the European Commission to grant EU candidate status to Albania, subject to endorsement by EU heads of states at the forthcoming European Council on Friday in Brussels. This is a clear step forward in EU-Albania relations, reflecting the progress the country has made in European integration and in implementing the necessary reforms. Today's decision underlines the EU's continued and credible commitment to support Albania in its efforts towards this goal.

For Albania, today's decision should translate into a strengthened endorsement of its reform agenda: Albania still needs to meet key priorities, with particular focus on administration and judiciary reform, fight against corruption and organised crime and fundamental rights, as highlighted in the Council Conclusions of December 2013. Moreover, a constructive and sustainable political dialogue will remain essential to consolidate and continue reforms.

Candidate status does not mean that the EU will automatically start accession negotiations with Albania, which is a subsequent, separate step in the EU integration process, for which additional progress, in the key priorities, is required.

EU-Albania relations - timeline Along with other Western Balkan countries, Albania was recognised as a potential country for EU membership in 2003. A Stabilisation and Association Agreement (SAA) entered into force on 1 April 2009. In the same month, Albania submitted its application for EU membership. The Commission recommended that Albania be granted EU candidate status in October 2013. The Commission reconfirmed its recommendation in its June 2014 report to the Council.

What does candidate status mean in practice? Being recognised as an EU candidate country has a number of implications for Albania. It is an important political signal for Albania and its citizens, showing that the country is moving to the next phase of the European integration process. From an economic perspective, candidate status will encourage foreign investments and, as a result, lead to job creation.

The candidate status raises the relationship between Albania and the EU to a higher level: Albania will now receive invitations to Council meetings open to candidate countries. Its access and cooperation with EU agencies will be easier – for example its participation in the Fundamental Rights Agency as an observer. Joint Committees between Albania and the Committee of Regions as well as the Economic and Social Committee might also be set up. As a candidate country, Albania will continue to profit from EU funds under the Instrument for Pre-Accession Assistance (IPA) in order to carry out comprehensive reforms and strategic investments, and will benefit from the participation in EU programmes.

The European Commission will continue to work closely together with Albania to support its reforms and prepare it for the next step in the integration process, namely the opening of accession negotiations. The opening of negotiations depends on further concrete and sustainable reforms in Albania; agreement from all EU Member States is also required.

Link: <http://www.balkans.com/open-news.php?uniqueid=194675>

ARMENIA



Armenian government close to canceling sale of Vorotan Hydro Cascade – newspaper

The Government of Armenia is very close to canceling the sales transaction of the country's Vorotan Hydro Cascade, Haykakan Zhamanak daily reported.

“Accordingly, the [respective] final decision may be made at any time.

“On January 29, the American ContourGlobal Hydro Cascade company and the Armenian government signed an agreement, according to which the American company was to pay \$120 million for the Vorotan Hydro Cascade and make a \$70 million investment.

“According to this contract, the deal was to be completed by mid-April, but it has not been completed and the amount is not paid to this day. Neither the American party nor the Armenian government provides thorough explanations as to what problems have arisen.

“According to the unofficial viewpoint coming from the government, the cancelation of the business deal has external political and internal power motives, and not economic. It [the Vorotan Hydro Cascade] is the Armenia energy system's sole entity which a non-Russian company was to acquire,” Haykakan Zhamanak wrote.

The Vorotan Hydro Cascade comprises three electric power plants. The Government of Armenia was the 100-percent shareholder of the Vorotan Hydroelectric Power Plant. On November 27, 2013, the Public Services Regulatory Commission of Armenia had confirmed the deal to sell the Vorotan Hydro Cascade to the American ContourGlobal company.

Link: <http://news.am/eng/news/215961.html>

EU to allocate €20 million for emerging SME's in Armenia before end of 2014

The European Commission will establish a 20-million euro financing facility for emerging SME's in Armenia before the end of 2014, Dirk Lorenz, representative of the EU's Delegation to Armenia, told Armenia News – NEWS.am at the sidelines of DigiTec IT forum in Yerevan.

Lorenz, who is the head of Political, Economic, Press and Information section at the Delegation, noted that the funds will be disbursed through equity financing and will be available for SMEs across the sectors of economy.

“IT startups will be more than welcome to apply,” he added.

Equity financing, he added, will help combat limited access to finance, which is still relevant for SMEs. This will be a chance for local entrepreneurs to start a new venture from scratch, or to expand an existing business.

“The access to finance for SMEs in Armenia, in our view, is still limited, there is room for improvement. That is why we are happy to work together with the Armenian government on improving the situation,” he added.

Currently the project is under preparation, and technical details, like the ceiling of financing and eligibility criteria for entrepreneurs, are not yet finalized.

“But we are hopeful that the project can be started later this year,” he said.

Link: <http://news.am/eng/news/215918.html>

World Bank helps boosting competitiveness of Armenian agriculture

The World Bank Board of Executive Directors have approved a US\$ 32.67 million financing for the Second Community Agricultural Resource Management and Competitiveness (CARMAC) Project for Armenia.

This Project is designed to improve productivity and sustainability of pasture and livestock systems in up to 100 communities in the eight regions with significant pasture areas and increase the marketed production from selected livestock and high value agri-food value chains.

For the women and men living in Armenia’s rural communities, agriculture remains the main source of employment and livelihoods. Thus, developing farmers’ productivity, including through cooperatives and associations, and strengthening the links between agricultural producers and the food processing industry are critical.

The project will help address key constraints by improving market access, supporting the commercialization process, and enhancing employment opportunities while protecting the natural environment.

The second CARMAC expands the scope of the first project, notably its successful pasture-based livestock activities, to include a new value chain component linking livestock and other agriculture production with markets.

“Enhancing productivity and strengthening market access of farmers are key to reducing poverty and boosting shared prosperity in rural areas” says Jean-Michel Happi, the World Bank Country Manager for Armenia. “Project activities are devised in such a way as to mainly benefit pasture users, farmer cooperatives, as well as food business operators. At least 50,000 farmers are expected to participate in this project through their membership in Pasture Users’ Cooperatives (PUC).”

The proposed project will further implement an efficient and sustainable community managed pasture based livestock production and include new ones exhibiting a strong interest, adding to the already existing 86 communities covered by the on-going CARMAC project. Pasture users cooperatives will be established in about 100 communities, which will be the key players in developing sustainable pasture/livestock management plans and receiving grant resources about US\$ 200,000 per PUC for their implementation.

Funding may include financing of infrastructure to access and use remote pastures, milk collection points with cooling equipment, machinery to produce and harvest fodder, and other activities of community importance.

“I would highlight the long-term benefits of value chain development for the efficiency of agricultural output,” says Nicolas Ahouissoussi, World Bank Task Team Leader of the project. “The project will support agricultural producers and processors to improve the ability to meet domestic demand and access international markets, building on the competitive advantages of the Armenian market.”

Support programs for women and youth are planned to enhance their participation in the PUCs along with their communal decision-making process around pasture management. Along with other activities, the project pays special attention and will contribute to increasing the capacity of public sector institutions, such as regional-level VeterinaryServiceCenters and State Service for Food Safety, to facilitate business development and enable market access in the selected value chains.

Total financing of the project is US\$42.67 million, of which US\$10 million will be the Government's and beneficiaries' contribution. The World Bank will provide a US\$9.67 million equivalent credit, of which US\$3.8 million on standard blend IDA terms at a fixed interest rate of 1.25% per annum with a maturity of 25 years and a 5 year grace period; US\$5.87 million on hard IDA terms at a fixed interest rate of 1.40% per annum with a maturity of 25 years and a 5 year grace period; and US\$23 million IBRD loan of variable spread with a 10 year grace period and the total repayment term of 25 years.

Since joining the World Bank in 1992 and IDA in 1993, the commitments to Armenia total approximately US\$ 1,871.73 million.

Link: <http://news.am/eng/news/215775.html>

AZERBAIJAN



Azerbaijan, WTO to go on talks

Azerbaijani Deputy Foreign Minister Mahmud Mammad-Guliyev will be on a visit to Switzerland between June 30 and July 4 with regard to bilateral talks on cooperation between Azerbaijan and the World Trade Organization (WTO), according to a message from Azerbaijan's Foreign Ministry.

During the visit, the deputy FM will meet with the management of WTO, International Committee of the Red Cross, and the International Organization for Migration.

Link: <http://www.today.az/news/business/134899.html>

Azerbaijani business spent about 44% of concessional financing for 2014

The National Fund for Entrepreneurship Support (NFES) under the Ministry of Economy and Industry of Azerbaijan has allocated a loan in the amount of 753,500 AZN on favorable terms to the 29 business entities of Baku's Khazar district, the ministry reported.

About 60 new job opportunities will be implemented through this funding.

The loans will be focused mainly on the development of animal husbandry, poultry, and vegetable production.

The business forum dedicated to granting concessional loans to entrepreneurs, was held in Mardakan settlement of Khazar district with the participation of about 80 entrepreneurs.

The presentation of samples of investment projects was held within the framework of the event on the creation of specialized "green market", a modern enterprise for the production of bread, small and medium-sized greenhouses that are considered priorities in the implementation of the economic potential of the region.

As the NFES Executive Director, Shirzad Abdullayev said at the event, since the beginning of the year the fund allocated concessional loans to 2,460 entrepreneurs in the amount of 122 million AZN. The implementation of these projects contributes to the opening of more than 5,600 new job opportunities. Up to date, totally the loan in the amount of 175.5 million AZN was allocated for financing of 818 investment projects of enterprises under government programs for socio-economic development of Baku and its settlements which will create over 5,900 new job opportunities.

In 2014, the national fund plans to issue loans worth 280 million AZN, some 150 million AZN of which will be provided at the expense of repayment, and the remaining 130 million AZN - at the expense of the state budget.

NFES was established in 1992. The issuance of loans to entrepreneurs is implemented through authorized banks and non-bank credit organizations, whose total number is 45.

Link: <http://www.today.az/news/business/134867.html>

Deposits provide 40% funding of Azerbaijan`s banking system

The deposits of the population provide more than 40 percent of funding of the Azerbaijani banks.

The General Director of the Central Bank of Azerbaijan Rashad Orujov said at a "Development of interbank cooperation between Russia and Azerbaijan" round table within 5th Azerbaijani-Russian interregional cooperation forum, which is underway on June 23-24 in Gabala.

"Over the past five years, their volume increased 3.4 times, and we note a positive trend of specific weight growth of the deposits in the national currency, which reached more than 60 percent of the total deposit base of the Azerbaijani banks. Deposits of the population, being one of the most important indicators of trust to the banking system, also play a crucial role as resources for implementation of normal activities of the banks," he said.

Since 2008, the banking market grew more than two times, according to Orujov.

"The average annual growth in the banking system amounted to about 15 percent over five years. The growth rate in the pre-crisis period were even higher, albeit against a background of low deposit base, which is now quite impressive. We believe that the annual growth of assets by 15 - 20 percent is a very good and stable rate. The institutional capacity of the banks grows steadily on this basis. The loan portfolio of the banking sector has also grown more than two times over the years, exceeding 15 billion AZN, with an average annual growth rate of 17 percent," he added.

Some 46 banks operated in Azerbaijan in 2008 and 2009, and in 2010 their number increased by 47 in the beginning of the year, and fell to 45 in the last quarter. In the beginning of 2011, the number of operating banks fell to 44, and since the third quarter of 2012, there have been 43 banks operating in the country. From May 2014 the number was again brought to 44 regarding the restoration of the license of one of the liquidated banks.

Link: <http://www.today.az/news/business/134823.html>

Azerbaijan's new international sea port to be commissioned by late 2015

Azerbaijan has great transit potential and the country is implementing major transport projects to use it, Baku International Sea Trade Port's General Director, Elchin Mirzayev said on June 25.

He made the remarks at an event dedicated to the Day of the Seafarer, celebrated in Azerbaijan each year on June 25.

Mirzayev particularly pointed out the projects on construction of the Baku-Tbilisi-Kars railway and the new international sea trade port in the Alat settlement in Azerbaijan.

The Baku seaport's current location in the city center hinders its full operation, so it was needed to construct a new port, and this process is continuing successfully.

"The completion of the construction of the new port's ferry terminal will allow us to transfer our ferry terminal outside the city center," Mirzayev said.

The new international sea port is expected to be commissioned in the Alat settlement (65 km from Baku) by late 2015.

Earlier, Azerbaijani Deputy Transport Minister Musa Panahov told Trend that the new port's ferry terminal is planned to be commissioned in August 2014.

The deputy minister said the existing Baku international sea port will be transferred from the capital by late 2015.

The construction of the new international port started in November 2010 and is being carried out in three phases.

The project's first phase includes constructing two ferry and three cargo berths to receive containers, ro-ro type vessels and simple (universal) dry cargo ships.

The second phase envisages the construction of three more cargo berths, and the third phase - the construction of two additional cargo berths.

The port will be able to receive up to 11.6 million tonnes of cargo annually.

The creation of a powerful port infrastructure is important in terms of cargo transportation via Baku-Tbilisi-Kars railway, which is planned to be fully put into operation in 2015.

Link: <http://www.today.az/news/business/134805.html>

Azerbaijan Georgia's second largest foreign trade partner

Azerbaijan remains the second largest foreign trade partner of Georgia; the trade turnover between the two countries was \$489 million in January-May, 2014, Georgia's National Statistics Office (GeoStat) said on June 24.

Azerbaijan is the largest export market for Georgia and accounts for 20.5 percent of Georgia's total export volume.

The country exported some \$240.4 million worth of goods and services to Azerbaijan during the reporting period.

At the same time, Georgia imported some \$249 million worth of goods and services from Azerbaijan, which accounts for 7.5 percent of its total import.

Turkey is the largest trade partner of Georgia; the trade turnover between the two countries stood at \$776 million. China ranked third among the country's foreign trade partners for the first time (\$309 million).

Georgia's foreign trade turnover made \$4.498 billion in January-May, 2014, which is by 16 percent more than in the same period of 2013.

The country's export totaled \$1.175 billion (an increase by 17 percent), while its import amounted to \$3.322 billion (an increase by 15 percent).

Link: <http://www.today.az/news/business/134786.html>

Russian economy received over \$1bn Azerbaijani investment by now

“Azerbaijani companies have invested more than 1 billion US dollars in the Russian economy so far,” president of the Azerbaijan Export and Investment Promotion Foundation (AZPROMO) Rufat Mammadov has said at a round table as part of the 5th Azerbaijan-Russia Interregional Forum in Gabala.

“There are nearly 70 companies with the Russian capital in Azerbaijan. We have built a firm legal framework, more than hundred documents have been signed. We have created favourable conditions for the Russian companies working in Azerbaijan,” said the AZPROMO president.

On relations between the two countries' entrepreneurs, Mammadov said five business forums had been organized jointly with Russian companies in the last three months. "Last year we arranged 30 joint events."

He said: We are interested in cooperation on all fronts. We have a diversified trade. There are big opportunities for extending the cooperation."

"There are companies in Azerbaijan that haven't yet entered the Russian market, but want to do this," Mammadov added.

Link: <http://www.today.az/news/business/134775.html>

SOCAR underliens Turkey as key country for European gas markets

Trans-Anatolian gas pipeline (TANAP), which will facilitate the transportation of Azerbaijani gas to Europe, has gained great importance, president of SOCAR Turkey Enerji (SOCAR's Turkish office) Kenan Yavuz said, Turkish newspaper Star reported on June 24.

"Turkey is a key country for the gas transportation from the Caspian Sea to the European markets," he added.

Azerbaijani Energy Minister Natig Aliyev and his Turkish counterpart Taner Yildiz signed an agreement to increase Turkey's share in TANAP project to 30 percent in Istanbul on May 30.

Azerbaijan's State Oil Company (SOCAR) sold 10 percent out of its 80 percent share to the Turkish state-owned BOTAS pipeline company. Following the completion of deals with BP and BOTAS, the shares of SOCAR in TANAP will stand at 58 percent.

The shares of BP and BOTAS will respectively amount to 12 and 30 percent.

TANAP envisages transporting gas from the 'Shah Deniz' field through Turkey up to the country's border with Europe.

The pipeline's initial capacity is expected to be 16 billion cubic meters per year. About six billion cubic meters of gas will be delivered to Turkey and the rest to Europe. The pipeline's capacity can be further expanded to 31 billion cubic meters of gas per year.

TANAP shareholders plan to lay the pipeline's foundation in Q2, 2014 and commission it in 2018.

TANAP's cost is estimated at \$10 billion to \$11 billion.

On December 17, 2013, a final investment decision was made on the Stage 2 of the 'Shah Deniz' offshore gas and condensate field's development. The gas produced at this field will first go to the European market.

The gas to be produced within the Stage 2 of the field's development will be exported to Turkey (six billion cubic meters per year) and to the European markets (10 billion cubic meters per year) by means of expanding the South Caucasus Pipeline and construction of the Trans-Anatolian Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP).

Partners operating for 'Shah Deniz' field's development, which has reserves of 1.2 trillion cubic meters of gas, include SOCAR with a share of 16.7 percent, British BP (28.8 percent), Norwegian Statoil (15.5 percent), Iranian NICO (10 percent), French Total (10 percent), Russian Lukoil (10 percent) and Turkish TPAO (9 percent).

Link: <http://www.today.az/news/business/134748.html>

Russia's development partnership with Azerbaijan saw no impact from difficult world economy

Azerbaijan is a special partner for Russia, Minister of Regional Development of the Russian Federation Igor Slyunyaev said at the fifth Azerbaijani-Russian forum for interregional cooperation in Qabala (Azerbaijan) on June 23.

"The difficult situation in the world economy did not affect the development of trade and economic relations between the two countries," he said.

"A good tradition of holding the Azerbaijani-Russian inter-regional forums, laid by the two presidents has been supported," the minister added. "It became a good stimulus for the development of interregional relations."

"More than 500 Azerbaijani and Russian companies are involved in bilateral cooperation," Slyunyaev added.

"Some 75 entities of the Russian Federation are actively cooperating with Azerbaijan," Slyunyaev added.

He added that the inter-regional cooperation is an important element of the Azerbaijani-Russian economic relations.

He stressed the need of working out a strategy of developing trade and economic relations between the two countries.

A two-day fifth Azerbaijani-Russian Inter-Regional Cooperation started in Qabala region. The event brings together more than 400 delegates, including representatives of the state, diplomatic and business organizations of the two countries.

Link: <http://www.today.az/news/business/134720.html>

Russia presents Azerbaijan investment projects worth \$ 7.5 billion

Russia presented Azerbaijani entrepreneurs 18 investment projects totaling more than 260 billion rubles.

Russian Minister of Regional Development Igor Slyunyaev made the remarks within the frame of the 5th Azerbaijani-Russian forum "Interregional cooperation: new opportunities for growth" held in Gabala.

"The main objective of each investment project in Russia is not only economic development of the regions, but, above all, the increase in the quality of life of citizens. I am sure that the experience and knowledge of our Azerbaijani colleagues are extremely important in their implementation," he said while presentation of the projects.

Azerbaijani business was presented a number of projects in 16 federal units of the country - Samara, Rostov, Tomsk, Moscow, Tambov, Kaliningrad, Tula, Novgorod, Volgograd, Karachay-Cherkess Republic, the Chuvash Republic, the Chechen Republic, the republic of Dagestan, Kamchatka, Krasnodar, Stavropol krai (provinces)

The Russian Minister has paid a special attention to the projects implemented within the frame of the preparation to the FIFA World Cup to be held in Russia in 2018. All of these projects are implemented on public-private partnership principles, the Russian Federation welcomes foreign direct investment in the construction of the planned facilities according to the minister.

Slyunyaev noted that particular interest may be numerous investment projects in the agricultural sector for the Azerbaijan investors. He said that now new enterprises for agricultural production have been opened almost in all Russian regions. The minister specially highlighted innovative projects to develop agriculture in the Tambov region.

Link: <http://www.today.az/news/business/134719.html>

Azerbaijan establishes special fund to finance fishery development

The program for fishery development will be financed by a special fund in Azerbaijan.

Azerbaijan plans to establish a fund for increasing, reproduction and protection of living aquatic resources, the country's Parliament said on June 25.

This issue is reflected in the amendments to the law on fishery.

The fund is supposed to fund the program for the development of fishery, as well as application of measures for the reproduction, protection, scientific support and increasing fish and other living aquatic resources.

According to the draft, relevant executive bodies will establish the fund and its activity will be governed by the regulations approved by those bodies.

In state-owned fishing facilities, the works on the artificial increasing of fish and other living aquatic resources, reproduction, protection and reclamation will be financed by both the state and the fund.

Scientific research will be financed by the state and the fund. It is also expected to provide scientific support for fishery development.

Azerbaijan will also introduce the privileges for those who are engaged in fishing. According to the legislation, the benefits for individuals and legal entities engaged in the production of agricultural products will also be used in aquaculture.

The project also plans to economically encourage the aquaculture to settle fishery's economy.

The draft notes that the fiscal policy will ensure the competitiveness of the aquaculture products. Moreover, the government is supposed to charge the registration of biological and technical feasibility of water bodies.

The development of biological and feasibility studies for sturgeon is expected to take 25 years. This comes as the development of other species of fish and aquatic biological resources is supposed to take 10 years.

Link: <http://www.azernews.az/azerbaijan/68315.html>

Azerbaijan, Russia sign 11 documents during joint interregional forum

Azerbaijan and Russia signed six interagency agreements and five business contracts during the 5th Azerbaijani-Russian interregional forum entitled "Interregional cooperation: new opportunities for

growth" held in Gabala on June 23-24.

The two-day event brought together business circles of the two countries, who discussed prospects for development of economic relations.

On the second day of the forum, the participants released a joint report addressed to the presidents of Azerbaijan and Russia, Ilham Aliyev and Vladimir Putin.

"The fifth forum, which brought together members of parliament, representatives of the regions, government agencies, private companies, and media from both countries exchanged views on the main directions of development of social, socio-economic and humanitarian ties," the document reads. "We organized roundtables to discuss prospects of Azerbaijani-Russian inter-regional cooperation in various fields."

Six interagency agreements and five business contracts were signed, including a letter of intent between Azerbaijan Export and Investment Promotion Foundation (AZPROMO) and Economic Development Ministry of the Republic of Ingushetia.

"Moreover, Azerbaijan and Russia have prepared a roadmap for the construction of a border bridge across the Samur river," Russian Deputy Transport Minister Sergei Aristov said.

"Our experts have prepared a roadmap for the implementation of the project, including timelines, targets and all the necessary documents have been signed," Aristov said, adding that the two countries established a very stable railway communication.

"Despite some crisis in the global freight, Azerbaijan and Russia have traffic growth of railway transportation. During the first quarter of this year 22,000 passengers and nearly a quarter million tons of cargo have been already transported."

The Russian minister added that a tripartite project on the construction of a new railway line between Azerbaijan, Russia and Iran were also discussed.

Addressing the roundtable held as part of the forum, President of the Azerbaijan Export and Investment Promotion Foundation (AZPROMO) Rufat Mammadov said Azerbaijani companies have invested more than \$1 billion in the Russian economy so far.

"There are nearly 70 companies with the Russian capital in Azerbaijan. We have built a firm legal framework; more than hundred documents have been signed. We have created favorable conditions for the Russian companies working in Azerbaijan," Mammadov said.

Touching upon relations between the two countries' entrepreneurs, Mammadov said five business forums had been organized jointly with Russian companies in the last three months.

"We are interested in cooperation in all fronts. We have a diversified trade. There are big opportunities for extending the cooperation. There are companies in Azerbaijan that haven't yet entered the Russian market, but want to do this," AZPROMO president added.

Russia is the main trade partner of Azerbaijan in the CIS. Over the past ten years, the volume of Azerbaijan's investment in Russia's economy amounted to around \$1 billion, \$200 million of which fell on 2013.

About 570 Russian companies are operating in the country, and over \$628 million was invested in fixed capital.

Link: <http://www.azernews.az/business/68281.html>

Azerbaijan&Central Asia Healthcare Summit kicks off in Baku

A two-day Azerbaijan and Central Asia Healthcare Summit 2014 started in Baku on June 23.

The summit brings together key industry professionals from Azerbaijan and the Central Asia region with the aim to discuss the latest developments in the region's healthcare market.

The governments of Azerbaijan and Central Asia countries have made clear policy decisions to invest in healthcare. The healthcare market is set for massive growth in Azerbaijan, which gave way to huge programs of healthcare investment.

As the Azerbaijan government looks to develop its healthcare industry and provide universal coverage, healthcare spending is expected to rocket through 11 state programs. This creates vast opportunities for international healthcare investors, technology providers and pharmaceutical companies.

The event will be attended by representatives from various health ministries, regulators, hospitals, clinics, medical equipment providers as well as international investors. They will share knowledge and expertise and provide potential for new networking opportunities.

The summit will discuss recent developments in a wide range of healthcare sectors, considering the possibilities of new technologies and examining new government initiatives and reforms.

Moreover, the summit will include extensive presentations and panel discussions that will allow engaging in debate and allow for productive networking and partnerships.

Link: <http://www.azernews.az/business/68213.html>

World Bank to provide \$300 million loan package to Azerbaijan on July 9

The World Bank is ready to endorse the coordinated \$300 million loan package for Azerbaijan at a time. According to the Azerbaijan's government, the package of three loans coordinated with the Bank will be endorsed on one day at a time.

“The Bank's Board of Directors plans to consider and endorse the package on July 9”, - the government informed.

Earlier, the loan package approval was postponed until the next financial year of the bank beginning on July 1, 2015.

In May the government of Azerbaijan and the World Bank completed negotiations on additional financing for the “National Water Supply and Sewage Services Program” (NWSSP) and the second “Azerbaijan Rural Investments Projects” (AzRIP), as well as the “Juridical Services and Smart Infrastructure Project” (JSSIP) supplementing the Juridical Modernization Project (JMP).

The World Bank will allocate \$150 million for NWSSP (AF) and the government will add \$83 million. The bank's investments for AzRIP-2 (AF) will make \$50 million, while the government's participation will be \$30 million. The largest project will be JSSIP – \$100 million allocated by both the bank and the government.

Link: <http://news.az/articles/economy/89632>

Russia seeks to expand presence of Azerbaijani banks on its territory

Russia is interested in expanding the presence of Azerbaijani banks on its territory.

The statement came from the deputy chairman of the State Duma of the Federal Assembly of the Russian Federation on financial market Dmitry Savelyev at the "round table" on "Development of interbank cooperation between Azerbaijan and Russia," organized in the framework of the 5th Azerbaijani-Russian interregional forum "Interregional cooperation: new opportunities for growth" held in Gabala.

"We are waiting for Azerbaijani banks in Russia and are ready to provide full support, including from the Bank of Russia", Savelyev said.

In addition, he noted that there is an interest in the successful operation and development of Russian banks, in particular, their branches, in the territory of Azerbaijan.

It has to be noted that currently two Azerbaijani banks are represented in Russia. This is the Bank "IBA-Moscow", a subsidiary of the International Bank of Azerbaijan - the biggest bank in the republic and the South Caucasus region (with \$8.7 billion in assets, 77 offices in Azerbaijan and abroad, ranking 34th among the leading banks in the CIS).

The second Azerbaijani bank in Russia is Muganbank.

In turn, Azerbaijan accounts for two Russian banks - VTB Bank and Nikoil.

Link: <http://news.az/articles/economy/89573>

BULGARIA



Bulgarians Travel Abroad 18% More in May 2014

In May 2014, the number of the trips of Bulgarian residents abroad was 427.5 thousand or by 18.1% above the registered in May 2013, the National Statistical Institute informs.

In comparison with the same month of the previous year an increase was observed in the total number of the trips of Bulgarians to Spain-by 46.7%, the United Kingdom-by 45.0%, Greece-by 41.7%, France-by 34.4%, Italy-by 30.8%, Romania-by 29.6%.

At the same time a decrease was observed in the total number of the trips of Bulgarians to the Russian Federation-by 57.3%, Germany-by 26.4%, the Czech Republic-by 22.5%.

In May 2014, the number of arrivals of visitors from abroad to Bulgaria was 678.1 or by 8.2% above the level of May 2013. The share of visits of EU citizens was 62.4% of the total number of foreigners' visits to Bulgaria in May 2014. In comparison with the same month of the previous year they increased by 13.6%. An increase was registered in the visits of the citizens of Austria-by 59.9%, Germany-by 44.6%, Italy-by 36.5%, Poland-by 20.6%, United Kingdom-by 15.7%, Romania-by 12.9%.

At the same time a decrease was recorded in the visits from France-by 28.3%, and Slovakia-by 8.0%. The visits of foreigners in the group "Other European countries" decreased by 3.6% as the highest drop was observed in the visits of citizens of Ukraine, FYROM and Russian Federation-by 17.6, 10.4% and 9.6% respectively.

Link: <http://www.novinite.com/articles/161662/Bulgarians+Travel+Abroad+18+More+in+May+2014>

Bulgarian National Bank Governor: Banking System Stable

Bulgarian central bank Governor Ivan Iskrov has issued an official statement on rumors and speculations questioning the stability of certain Bulgarian banks.

He has described information propagated online as malicious and has denied Bulgaria's banking system could be in jeopardy.

The full text of his statement dating June 27, 2014 is below.

BNB has repeatedly underscored that the Bulgarian banking system has good indicators and operates smoothly and seamlessly. That notwithstanding, over the last days an attempt is being made to destabilize the state through an organized attack on Bulgarian banks without any grounds. Since yesterday, an attack has been carried out against one of the biggest among them - First Investment Bank - through an outbreak of rumors and ill-intentioned public statements. Such criminal actions are directly targeting the savings of every Bulgarian citizens and the financial stability as a basic element of the country's national security.

The Bulgarian National Bank declares categorically that it is to use all means and resources it has at disposal to safeguard people's savings.

We are referring to Parliament, the Government and the President of the country for support of our

actions aimed at protecting the financial and bank stability for the benefit of Bulgaria and its citizens.

We insist that authorities, including Prosecution, Interior Ministry and [State Agency for National Security] DANS, apply the law to the fullest extent against the propagators of false and malicious rumors and speculations.

Link:

<http://www.novinite.com/articles/161654/Bulgarian+National+Bank+Governor%3A+Banking+System+Stable>

Bulgaria's SPA Resorts Expect Millions of Elderly Tourists

In the next 10 years Bulgaria's SPA and rehabilitation centers expect between 3 and 5 M elderly European tourists, said Dimitar Blagov of the Medical Tourism cluster.

Blagov told the Bulgarian National Radio that talks are already being held and he expects the initiative to be discussed further. He also said that attracting elderly Europeans to live in Bulgaria was also a very good idea.

Meanwhile, the head of the Bulgaria Expects you initiative Vesela Tsoleva said that the so-called “dental tourism” is increasingly popular in Bulgaria. According to her, Bulgaria's dentist were well trained and the prices of the dental care was very competitive.

Link:

<http://www.novinite.com/articles/161628/Bulgaria%27s+SPA+Resorts+Expect+Millions+of+Elderly+Tourists>

Lending Rates Report Slight Increase in May – BNB

Slight lending rates growth both on a monthly and on an annual basis in almost all segments was recorded by Bulgaria's National Bank in May, 2014.

The total loan portfolio of businesses and households increased by BGN 77.8M (0.14%) in May, and the increase on an annual basis is by BGN 982.8M (1.84%), Capital Daily reports.

The volume of overdue loans also increased slightly after recording a decline in the last two months. The increase in May is of BGN 35.1M compared to April.

Business financing increases for the fourth consecutive month. In May corporate loans grew by BGN 35.5M (0.1%) on a monthly basis to BGN 35.8B. The overall trend remains positive, with an annual increase of 2.64% in May, compared to an increase of 2.29% in April, 1.7% in March and 1.01% in February.

The total amount of household loans has increased by BGN 42.4M in May compared to April, reaching BGN 18.6B. The growth is generated primarily by consumer loans (0.29%), while mortgages decreased (-0.06%).

On an annual basis, however, both housing and consumer loans registered an increase, as consumer loans increased by BGN 65M (0.89%) in May.

Link:

<http://www.novinite.com/articles/161579/Lending+Rates+Report+Slight+Increase+in+May+%E2%80%93+BNB>

Bulgarian Development Bank Vows No Disruptions to Lending to SMEs

The Bulgarian Development Bank (BDB) has issued a statement assuring that its capacity to provide credit to small and medium-sized businesses will remain unimpaired.

BDB came up with a media statement to disprove the false allegations that its potential participation in the stabilization of Corporate Commercial Bank (KTB) will happen at the expense of its core activity, namely providing credit to small and medium-sized enterprises.

KTB and its subsidiary Credit Agricole Bulgaria were placed under conservatorship by the Bulgarian National Bank (BNB) on June 20 and June 22, respectively.

"The Management Board of BDB categorically declares that the allegations are false. The process of providing credit to small and medium-sized enterprises continues," BDB stated.

"Apart from its own capital, BDB has attracted resources from international banks and partners which are to a large extent provided through programs for assisting small and medium-sized enterprises. This means that these resources can be used solely for providing credit to this business segment of the economy," BDB informed.

Link:

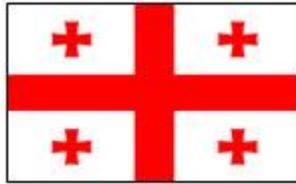
<http://www.novinite.com/articles/161543/Bulgarian+Development+Bank+Vows+No+Disruptions+to+Lending+to+SMEs>

Bulgaria ranks 32nd in the Global Peace Index ranking

Bulgaria ranks 32nd in the Global Peace Index ranking over the past year, Reporter daily reports. The index takes into account 35 various types of data by the UN, the World Bank, and other international NGOs, including information about media freedom, the number of refugees that have been granted asylum, the amount of arms exported and the number of Nobel Prize winners. Countries are also rated in terms of their contribution to science and technology, health care and humanity's wellbeing. The ranking is topped by Finland, Switzerland, the Netherlands, New Zealand, Sweden, the UK, Norway, Denmark, and Belgium.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194653>

GEORGIA



Tbilisi Hosts EBRD's Trade Facilitation Programme

Within the framework of the European Bank for Reconstruction and Development's (EBRD) Trade Facilitation Programme, a conference was held at the Headquarters of TBC Bank on June 26 focusing on trade finance issues related to international and regional markets, as well as challenges in the industry where experts, regulators and lawyers held discussions.

The event offered an opportunity to review and discuss industry challenges with leading specialists, including regulators and lawyers. Amongst the topics were the latest trade finance and economic developments and consequent challenges for the trade finance market with a special focus on the Caucasus region as well as the experience of major issuing and confirming banks in financing foreign trade with EBRD countries.

“For EBRD, Georgia is the center for international trade for the region, so for us it is strategically important to attract those banks that implement trade activities in the region and discuss those issues that are very important on the market and can't be solved by individual ways,” said Kamola Makhmudova, Senior Banker at EBRD, adding that they decided to hold a forum in order to share their experience.

The conference was attended by local and international institutions from 20 countries including City Bank, Bank NA, Commerzbank AG, BNP Paribas, Sumito Mutsui Banking Corporation and ABN Amrto Bank, as well as banks of Armenia and Azerbaijan and the International Chamber of Commerce.

According to Makhmudova, the conference provided an excellent opportunity to meet colleagues and business partners, explore co-operation potential and share views on contemporary trade finance banking.

Through the programme, the EBRD provides guarantees to international confirming banks, taking the political and commercial payment risk of international trade transactions undertaken by banks in the countries of operations (the issuing banks). It also provides short-term loans to selected banks and factoring companies for on-lending to local exporters, importers and distributors.

According to the representatives, the programme strengthens the ability of local banks to provide trade financing and therefore gives entrepreneurs throughout EBRD countries of operations the support they need to increase their access to their import and export trade.

Link: http://www.georgiatoday.ge/article_details.php?id=12422

Foreign capital in Georgia's banks reach 78% in May

The foreign capital portion of banks' total assets added up to 74.7 percent in May 2014.

The National Bank of Georgia (NBG) today reported that compared with April, the total assets of Georgian commercial banks decreased (in current prices) by 0.1 billion GEL (down 0.8 percent) and constituted 17.8 billion GEL.

The banking sector's own funds (equity capital) equaled 3 billion GEL, which made up 16.8 percent of commercial banks' total assets.

Meanwhile, at the end of May the banking sector finished with a net profit of 17.7 million GEL.

The five banks with the largest assets constituted 75.9 percent of the total share of assets in the banking sector.

Currently, Georgia's banking industry is represented by 21 commercial banks, including 18 banks with foreign capital and the branches of two non-resident banks.

Banks' Loan Portfolio

According to NBG, the volume of lending by commercial banks, including loans to non-residents, in May 2014 increased by 54.7 million GEL (0.5 percent) compared to the previous month, exceeding 10.8 billion GEL by June 1, 2014.

The volume of loans provided in the national currency increased by 47.3 million GEL (1.1 percent) and the volume of loans in foreign currencies increased by 7.4 million GEL (0.1 percent).

Of the total volume of lending to legal entities, the biggest share falls on trade, at 44.5 percent.

The share of loans provided to the industrial sector consisted of 17.1 percent of all loans to legal entities. Eight percent went to construction.

Slightly less than 70 percent of the total volume of lending to legal entities was shared between three sectors - industry, construction and trade.

The volume of lending to resident individuals increased by 2.1 percent, or 103.8 million GEL, during May 2014 and exceeded 5.1 billion GEL by June 1, 2014.

Banks Deposits

The total volume of non-bank deposits in the country's banking sector increased 0.3 percent, or 32.4 million GEL, compared with May 1 2014, and constituted 9.9 billion GEL by June 1, 2014.

In May 2014, the volume of demand deposits increased by 0.9 percent and term deposits decreased by 0.1 percent compared to the previous month.

The dollarisation ratio of total non-bank deposits constituted 61.25 percent by June 1, 2014; decreasing by 0.62 percentage points compared to May 1, 2014.

The annual average weighted interest rate on term deposits constituted 6.0 percent. In particular, the interest rate for national currency denominated deposits was 7.7 percent and the interest rate for foreign currency denominated deposits was 5.3 percent.

The share of the US dollar in the total volume of foreign currency denominated deposits equaled 80.9 percent and the share of the Euro equaled 16.5 percent.

Link: <http://www.geotimes.ge/index.php?m=home&newsid=32019&lang=eng>

Georgia, EU Sign Association Agreement

Georgia and the European Union signed Association Agreement, including deep and comprehensive free trade area (DCFTA), on June 27 in the margins of the European Council meeting in Brussels.

The agreement was signed by Georgian Prime Minister Irakli Garibashvili, President of the European Council Herman van Rompuy, President of the European Commission José Manuel Barroso and heads of the states and governments of the EU-member states present at the ceremony.

Association Agreements, also including DCFTA, was signed with Moldova at the same ceremony and the signature process with Ukraine on economic parts of the agreement, which were left after the political ones were signed in March, was completed.

The agreement, which is designed for gradual approximation of signatory countries to EU standards and regulations in broad range of areas among them trade, customs procedures and quality controls, does not give a pledge to eventual membership in the EU; but the reforms and approximation process, envisaged by the agreement, are viewed as preparation for potential membership sometime in the future.

When asked at a news conference after the signing ceremony when Georgia would officially apply for membership, PM Garibashvili responded: “Unofficially we applied for membership today; officially – it depends on progress that we will make, but I can guarantee you that we will do our best to meet all the requirements of the European Union.”

Link: <http://www.civil.ge/eng/article.php?id=27417>

GREECE



Greece records 10% increase in travel bookings

The Greek National Tourism Organisation (GNTO) has revealed a 10% increase in bookings for the country in the first quarter of the year.

Analysis has revealed increases of 8%, 9% and 10% for June, July and August respectively compared to 2013, while departures for April were up 79% year on year.

May also performed well with 166,000 booked for departure, more than the 150,000 booked for August 2013. October also saw a 26% increase in bookings reports ttg digital.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194741>

Tax debts growing, but so are tax revenues

While taxpayers keep struggling to meet their obligations, state budget revenues have been posting a significant increase this month.

General Secretariat of Public Revenues data showed that new expired debts created in May amounted to 873 million, reaching a total of 66.37 billion euros.

However, according to sources, total budget revenues have grown by 22 percent in the first 20 days of June from the same period last year, while tax revenues posted 14 percent growth.

The revenues target for the whole of June is for total budget revenues to reach 3.47 billion euros.

Link: http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_25/06/2014_540852

MOLDOVA



THE REVENUES OF THE STATE BUDGET OF MOLDOVA IN JANUARY-MAY OF THIS YEAR AMOUNTED TO 9 BILLION 253,2 MILLION LEI, OR 3% (287,4 MILLION LEI) LESS THAN PLANNED FOR THIS PERIOD LEVEL.

As InfoMarket agency was informed in the Ministry of Finance, in comparison with the same period of 2013, they increased by 16.7% (1 billion br324.6 million lei). In particular, the main budget revenues of Moldova in the first 5 months of 2014 amounted to 8 billion 048,2 million lei, or 204.4 million lei (2.5%) less than planned. At the same time, the indicators of the same period of the previous year were exceeded by 801,7 million lei (11.1%). State institutions financed from the state budget accumulated in January-May 2014 revenues from the special funds amounting to 301,6 million lei (86,8% of planned). In comparison with the same period last year, they grew by 36.3 million lei (13,7%). The revenues of the special funds for 5 months of 2014 amounted to \$ 154.3 million lei (73,2% of planned). At the same time, they increased by 10.1% (14.1 million lei) in comparison with indicators of the same period of 2013. The income component of the projects financed from the external sources totaled 749,7 million lei, or 5.3 million lei (0.7 percent) more than the planned figures. Revenue from the total of internal and external grants amounted to 742,7 million lei, including external grants - 737,3 million lei, internal- 5.4 million lei, respective. In comparison with the same period last year these revenues increased by 471,9 million lei. Expenditures of the state budget of Moldova in January-May 2014 totaled 10 billion 237.5 million lei, or 2 billion 607,9 million lei (20.3%) less than planned. At the same time, in comparison with the same period in 2013, they increased by 1 billion 726,6 million lei (20.3%). The state budget deficit of Moldova in January-May 2014 made up 984,3 million lei and were covered by the sale of the state securities (489,5 million lei), external loans (up 849.4 million lei), funds from the sale and privatization of state property (123,8 million lei) and other sources (56.6 million lei).

Link:

http://infomarket.md/en/macroeconomy/The_revenues_of_the_state_budget_of_Moldova_in_January-May_of_this_year_amounted_to_9_billion_2532_million_lei_or_3_2874_million_lei_less_than_planned_for_this_period_level

THE EUROPEAN UNION HAS PROVIDED THE MINISTRY OF HEALTH OF MOLDOVA WITH THE LAST TRANCHE OF BUDGET SUPPORT FOR HEALTH CARE SYSTEM IN THE AMOUNT OF 6 MILLION EUROS.

This was announced by the Minister of Health Andrei Usatii on Tuesday and the head of the EU delegation in Moldova Pirkka Tapiola. In 2008-2012 within the framework of the program "Support policies in the field of health" the EU has allocated financial assistance to Moldova in the amount of 49,45 million euros, as well as provided technical assistance worth \$ 3.15 million euros. The head of the Ministry of health noted that the last tranche of EU in the amount of 6 million euros have been allocated for the reform and strengthening of the public health services, as well as equipping the University center for modeling and training of qualified doctors in State medicine university and pharmacy N. Testimitanu. Aid of the European Union will contribute to modernization and regionalization of public health services through the creation of a network of modern laboratories, which will allow introducing new methods of laboratory diagnostics and service delivery in health, in accordance with European standards. In addition

to training future specialists, the University centre of stimulation and training of qualified doctors will monitor risks to health, inform society about the possible diseases and methods of treatment. All this will allow improving the quality of medicine in our country, which will meet European standards. University centre modeling in teaching at the state University of medicine and pharmacy N. Testimitanu was opened in August 2013, with the financial support of the EU, which has allocated 1.4 million euros for reconstruction of the building this centre, and 3 million euros to modernize it and implement new educational programs, consistent with international standards.

Link:

http://infomarket.md/en/investment/The_European_Union_has_provided_the_Ministry_of_Health_of_Moldova_with_the_last_tranche_of_budget_support_for_health_care_system_in_the_amount_of_6_million_euros

IN MAY 2014 PRODUCER PRICES OF THE INDUSTRIAL OUTPUT OF MOLDOVA HAS INCREASED BY 1% COMPARED TO APRIL 2014.

As InfoMarket was informed in the National Bureau of statistics, in comparison with December 2013, they grew by 3.7% and in comparison with May of the last year - by 6.6%. In the mining industry they increased by 3.2% compared with December 2013, by 0.7% - in comparison with April 2014, and by 4% in comparison with May of the last year. In the processing industry prices increased by 4.2% in comparison with December, 2013, by 1.1% compared to April 2014, and by 7.9% in comparison with May of the last year. The prices in the energy sector have not changed in comparison with December 2013 and April 2014. At the same time, they decreased by 2.5% compared to May of the last year.

Link:

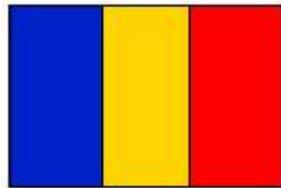
http://infomarket.md/en/industry/In_May_2014_producer_prices_of_the_industrial_output_of_Moldova_has_increased_by_1_compared_to_April_2014

IMPLEMENTATION OF THE EU-RM DCFTA AGREEMENT ON A TEMPORARY BASIS TO START WITHIN 3 TO 4 MONTHS AFTER THE DOCUMENT IS SIGNED ON JUNE 27

That was announced by Premier of Moldova Iurie Leanca, who accepted an invitation of his Romanian counterpart Victor Ponta and took part in an informal meeting at the Danube delta alongside with Premiers of Georgia, Slovakia, the Czech Republic and Serbia. The premiers gathered to discuss issues of the pro-European agenda and the regional developments, including those within the Eastern Partnership. The Premiers welcomed the signing of the association agreements with the EU by Moldova and Georgia to take place on June 27 and gave special attention to measures to be taken to implement provisions of this document. Iurie Leanca expressed hope that the signing would be beneficial for Moldova. "It gives us an opportunity to modernize Moldova, its society, political institutions and economy", the Premier said. According to him, the Free Trade Area will bring Moldova concrete benefits. "We have to make more efforts to prepare Moldova's economy and businessmen to the implementation of the DCFTA agreement on a temporary basis, which is expected to happen within 3 to 4 months, for them to be ready to make use and take advantage of the new trade regime", Iurie Leanca stressed. The Premiers gathered at Tulcea (at the Danube delta) to coordinate their standpoints, discuss recent developments within the Eastern Partnership and give practical support to pro-European aspirations of the EU's partner states.

Link: http://infomarket.md/en/commerce/Implementation_of_the_EU-RM_DCFTA_agreement_on_a_temporary_basis_to_start_within_3_to_4_months_after_the_document_is_signed_on_June_27

ROMANIA



Romania wants to increase the number of active SMEs by 40 percent

The Romania government is looking to increase the number of active SMEs by 40 percent, to 670,000, with 3.2 million employees in total, by 2020, according to a strategy project currently in public debate. “The main result indicator for 2020 is the net sum of economically active SMEs, which should be higher than 670,000 enterprises in Romania. The government considers that an increase of 41.23 percent of active SMEs, in the next seven years, is a realistic strategic objective. In terms of “SME density for every 1000 inhabitants”, hitting this strategic target means reaching a level where there are 36 active enterprises for every 1000 inhabitants in 2020, compared to 21.94 enterprises in 2012. In terms of total number of people employed, the government believes we have to go over 3.2 million active SMEs employees”, according to a proposal submitted to the Department for SME, Business Community and Tourism.

Read Business Review’s practical guide for SMEs

At the end of 2013, Romania had 474,416 active SMEs which means in the following 7 years the state must create conditions for another 200,000 to be started. The SMEs contribution to the economy is also expected to increase by 41 percent in the next seven years, to EUR 38 billion.

“The strategy establishes the Romanian government’s policies for the next seven years to support the intensive and extensive development of the SMEs sector, with a special emphasis put on enhancing the number of active SMEs on the local and external markets, as well as increasing SME density, especially in the areas where this indicator is below the European average and thus limit regional disparities”, according to the project.

The economic sectors the strategy highlights to receive government support are, in order of importance- food industry,- clothing and fashion- leather industry, shoe manufacturing, fur;- medicine and pharma production;- non-metallic mineral-based products;- metal industry,- electrical equipment,- other industrial activities.

Creative industries that will receive government support:- publishing and editing;- cinema and tv- music industry- IT services- architecture and engineering- technical analysis- research- advertising- other educational, scientific and technical activities.

In order to improve these businesses’ access to financing, the measures laid out in the government’s strategy are meant help SMEs with programs for starting, developing and sustaining themselves. At the same time, the authorities are looking into creating a seed capital fund (which finances businesses in early stages of development) and pass new laws that would help design new financing options.

In 2016, the state also wants to apply a stimulus scheme for commercial banks who give loans to SMEs Business.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194726>

Romania aims to overhaul its banking legislation this year

Romania aims to overhaul its banking legislation this year so as to join the Single Supervision

Mechanism of the European Central Bank (ECB) in 2015, said Tuesday Bogdan Olteanu, Vice-Governor of the National Bank of Romania (BNR), reports Mediafax newswire.

Olteanu said that Romania will be the first non-Euro zone member that will be part of the mechanism. “The envisaged steps are not simple, on one hand the evaluation of banks’ assets, which is ongoing, and on the other hand the institutional legislative reform that is extremely complex and assumes the transfer of sovereignty from Romania to that part of the European Union that decides to be part of the Banking Union, a new Euro zone, if you like,” said Olteanu.

He said Romania needs to change the banking and guarantee fund laws and other provisions regarding the intervention and stabilization mechanisms in line with EU standards.

The Single Supervisory Mechanism will be enforced starting November 4 and the BNR will work directly with the ECB on this project.

Olteanu suggested it is better for Romania to join the Banking Union before adopting the euro because it will help the country reduce its economic gaps compared to stronger economies in the EU and help it get access to cheaper financing.

He added that Romania shows a “remarkable” stability on the 10 indicators in the dashboard for Euro zone accession, but cautioned the local economy needs to constantly grow for a relevant number of years before adopting the euro.

According to economists, the Romanian economy needs to grow for at least a decade and become strong enough to compete with other Euro zone members.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194695>

Romania seeks contractor for 37.2 kilometer segment on the Ogra – Campia Turzii route

Romania's National Road Authority (CNADNR) is looking for a contractor to construct a 37.2 kilometer segment on the Ogra – Campia Turzii route, part of the Transylvania Highway. The project has a total estimated value of RON 2.33 billion (EUR 531.5 million), including VAT.

The design and execution project will be attributed through an open auction, based on the lowest price. At the maximum value announced, CNADNR will pay EUR 14.27 million / kilometer. The project is divided in three lots:

- Ogra – Iernut (3.6 km)
- Iernut – Chetani (17.9 km)
- Chetani – Cimpia Turzii (15.7 km).

The work value is estimated between RON 1.56 billion and RON 1.88 billion (level that includes the eventual additional works), without VAT.

The auction winner will have 64 months at their disposal to finish the project. Requests to enter the auction can be submitted until August 11.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194624>

Romania private lending continues downward trend in May

Romanian private lending went down 0.6 percent on the month in real terms to RON 216.9 billion

(EUR49.4 billion) in May, due to a 1.9 percent decrease in loans in foreign currency, central bank data showed Thursday.

At the same time, lei-based loans increased by 1.2 percent, to RON 89.86 billion.

Compared to May 2013, private lending is down 2.1 percent (3 percent in real terms) on account of the lei component going up 7 percent, while loans in foreign currency are down 7.7 percent year on year, according to a press release from the central bank.

Company loans are up 0.7 percent month-on-month on the lei component, to RON 53.27 billion, and the foreign currency loans are down 1.6 percent to RON 61.96 billion.

Private deposits stagnated in May, with just a 0.1 percent increase, to RON 215.17 billion.

Link: <http://business-review.eu/featured/romania-private-lending-continues-downward-trend-in-may-66336>

Budget deficit at 0.24 percent after 5 months

Romania's consolidated budget deficit narrowed to 0.24 percent of gross domestic product at the end of May against a 0.28 percent shortfall in the first four months, finance ministry data showed on Wednesday.

At the same time last year, the consolidated budget recorded a 1.04 percent deficit,

At the end of May 2014, the Finance ministry recorded a 0.45 percent surplus, compared to a 0.27 percent primary surplus in the similar period of last year.

Revenue came in at RON 84.1 billion, representing 12.7 percent of GDP, a 3.7 percent increase year on year. Romania had to pay 16 percent less to the EU, and other expenses came in at RON 85.65 billion, a 2.3 percent decrease year on year.

For 2014, authorities agreed with the IMF to try and maintain the budgetary deficit at 2.2 percent GDP. Romania ended last year with a 2.5 percent deficit.

Link: <http://business-review.eu/featured/budget-deficit-at-0-24-percent-after-5-months-66327>

Unemployment rate reaches 7.2 percent in Q1 2014

The unemployment rate in Romania stood at 7.2 percent in Q1 2014 and the employment rate of the working-age population (aged 15 to 64) was 59.5 percent, according to the data released on Tuesday by the National Institute of Statistics (INS).

By gender, the spread between the two rates of unemployment was 2 percentage points (8.1 percent for men versus 6.1 percent for women), and by residential areas, 2.4 percentage points (8.3 percent for urban areas, versus 5.9 percent in rural areas).

The unemployment rate reached its highest level (25.7 percent) among youths (aged 15 to 24). The employment rate of the population aged 20 to 64 was 64.2 percent, at a distance of 5.8 percentage points from the national target of 70 percent, set in the context of the Europe 2020 Strategy.

In Q1 2014, Romania's active population was 9.058 million people, of whom 8.402 million people were employed and 656,000 were unemployed. The employment rate of the working-age population in Q1 2014 was 59.5 percent. The employment rate was higher for men (66.9 percent compared to 52 percent

for women) and for the people residing in urban areas (59.6 percent from 59.4 percent in rural areas). The employment rate of young people (aged 15 to 24) stood at 20.6 percent.

Link: <http://business-review.eu/featured/unemployment-rate-reaches-7-2-percent-in-q1-2014-66317>

RUSSIAN FEDERATION



Rosneft to Increase Capex by 20% in 2014, up to \$21 Bln - CEO

In 2014 Russia's largest oil company, Rosneft, is planning to increase its capital investment program by 20 percent to 730 billion rubles (\$21.6 billion), as its projects in Eastern Siberia and in the Far East reach active stages, the company's CEO Igor Sechin said Friday.

"As the projects in the Eastern Siberia and in the Far East are entering an active phase of implementation, capital investment will increase by about 20 percent against last year to 730 billion rubles (\$21.6 billion)," Sechin said.

The largest investment is to be for the development of an oil and gas cluster in the Vankorsky fields in Eastern Siberia. In the Far East, Rosneft is constructing a large refinery in Primorsk Region, and is developing several deposits as part of the Sakhalin-1 project.

Rosneft also has licenses to explore shelves in the Sea of Okhotsk, the Chukchee Sea, the East Siberian Sea, the Kara Sea and the Laptev Sea.

Link: <http://en.ria.ru/business/20140627/190736560/Rosneft-to-Increase-Capex-by-20-in-2014-up-to-21-Bln---CEO.html>

Russia's Rosneft daily oil output to reach 6.4 mln bbl by 2020

The daily oil output of Russian oil major Rosneft will increase to 6.4 million barrels, CEO Igor Sechin said at the company's annual general meeting on Friday.

"As of today the daily oil output amounts to 5.1 million barrels – it is more than Iran's. By 2020, the daily oil output will increase to 6.4 million barrels," he said.

In 2013, the company produced 203 million tonnes of oil and 38.17 billion cubic meters of gas.

The company's oil refining capacity in Russia will increase to 90 million tonnes by 2017 from 78 million tonnes refined in 2013 as the company upgrades its facilities, Sechin said, adding that by 2020 the Far East Petrochemical Company (VNHK) will be launched.

The annual production potential of the company in eastern Siberia amounts to 50 million tonnes of oil, while 10-15 million tonnes are hard oil, he said.

The start of extraction from the Severnoye Chayvo field offshore the Sakhalin Island is scheduled for October, Sechin said. The field's reserves amount to 9.356 million tonnes of oil under C1 category and 5.482 million tonnes of oil under C2 category.

Drilling works on the shelf of the Black Sea are slated for January-March, 2015, he said. In 2011, Rosneft and ExxonMobil agreed on a joint development of hydrocarbon fields on the shelf of the Black Sea. The companies will establish a joint venture to explore and extract oil from the Tuapsinsky sag in the sea.

ExxonMobil Russia CEO Glenn Waller said that the annual output capacity of 4.5 million tonnes of oil

will be reached in 12-18 months on the Arkutun-Dagi field. He also said that by the end of the year daily output on the field will amount to 95,000 barrels. The field is part of the Sakhalin-1 project.

Rosneft is ready to sell gas from the project to gas giant Gazprom, but the company does not like the price.

Sakhalin-1 is the oil and gas project which envisages the development of three fields – Chayvo, Odoptu and Arkutun-Dagi with extractable reserves amounting to 2.3 billion barrels of oil and 485 billion cubic meters of natural gas.

ExxonMobil is the Sakhalin-1 operator with a 30% stake. SODECO also owns 30% in the project, while Russian oil major Rosneft and ONGC hold 20% stakes each. The companies develop the Sakhalin-1 fields under a production sharing agreement.

Link:

http://www.1prime.biz/news/oil_gas/Russias_Rosneft_daily_oil_output_to_reach_64 mln_bbl_by_2020/0/%7BB528DD5B-910B-469F-96BD-FC7F14D5ED0F%7D.uif

Russia launches largest oil drilling platform in the country's Far East

Gravity Base Structure (GBS) to install oil and gas platforms "Berkut" on the Arkutun-Dagi maritime oil field (north-eastern shelf of Sakhalin Island), whose construction in the "Sakhalin-1" project is completed at the dock port in Eastern Primorye territory (RIA Novosti / Vitaly Ankov) Gravity Base Structure (GBS) to install oil and gas platforms "Berkut" on the Arkutun-Dagi maritime oil field (north-eastern shelf of Sakhalin Island), whose construction in the "Sakhalin-1" project is completed at the dock port in Eastern Primorye territory (RIA Novosti / Vitaly Ankov)

Russia's Rosneft and America's ExxonMobil have launched a unique drilling platform in the Okhotsk Sea in Russia's Far East. The world's most powerful rig can drill within the radius of at least 7 kilometers.

The rig is called Berkut or golden eagle and was designed to work in harsh subarctic conditions.

The drilling platform can withstand a 9 magnitude earthquake, waves of up to 18 meters and temperatures down to minus 44 degrees Celsius, Rosneft President Igor Sechin said. Berkut can also withstand floating ice up to two meters thick and has an autonomous power supply system. It has the largest superstructure on any rig. Weighing 200,000 tons it can drill a total of 45 wells.

The platform is located 25 km offshore in waters up 35 meters deep. The drilling will be performed by means of a marine rig, which allows all-year-round drilling of wells.

There have been no accidents or critical failures during the platform's construction, Rosneft's Igor Sechin reported to Russian President Vladimir Putin ahead of the launch on Friday. The construction was completed on time and within budget.

Gravity Base Structure (GBS) to install oil and gas platforms "Berkut" on the Arkutun-Dagi maritime oil field (north-eastern shelf of Sakhalin Island), whose construction in the "Sakhalin-1" project is completed at the dock port in Eastern Primorye territory (RIA Novosti / Vitaly Ankov) Gravity Base Structure (GBS) to install oil and gas platforms "Berkut" on the Arkutun-Dagi maritime oil field (north-eastern shelf of Sakhalin Island), whose construction in the "Sakhalin-1" project is completed at the dock port in Eastern Primorye territory (RIA Novosti / Vitaly Ankov)

President Putin started the platform via a video link from the Kremlin, and highlighted the importance of the project to the country and the development of its natural resources in the Sakhalin region. "Thanks to such projects as the Berkut platform, we can use the richest but difficult to access fields, create new production and job opportunities, and strengthen the social and economic development of the Far East,"

Putin said.

The President also pointed out that the platform's construction and future operation is carried out under the strictest ecological regulations. "The project has undergone the harshest environmental requirements. The platform meets it, which is a separate achievement," Putin added.

He also praised the efforts of the Russian-American partners and wished them luck in the future field development projects.

The platform is a result of work by the Sakhalin-1 Consortium, which is the first major shelf project in the country, created on Product Sharing Agreement (PSA) terms. Forged in 1996, it includes several participants, with ExxonMobil and Sodeco having a 30 percent of share each, and Rosneft and ONGC Videsh Ltd. holding 20 percent each.

The total project is estimated to cost \$10-12 billion, making it the largest direct foreign investment in Russia. It involves development of three oil fields in the north-east shelf off Sakhalin Island in the waters of the Okhotsk Sea.

Exploitation at Arkutun-Dagi field with the Berkut platform is expected to start by the end of the year. It will add 4.5 million tons to the Sakhalin-1 total annual extraction, producing up to 12,000 tons of oil daily.

Link: <http://rt.com/business/168884-berkut-drilling-platform-rosneft-exxonmobil/>

SERBIA



Ljajic: Serbia should position tourism in economic agenda

The state must position tourism in Serbia's economic agenda as an industry that not only achieves continuous growth, but also has the most positive effect on other sectors- agriculture, trade, transport and telecommunications, environment and other fields, Minister of Trade, Tourism and Telecommunications Rasim Ljajic said on Wednesday.

Ljajic said that, in the last 15 years, forex profit from tourism increased around 50 times, and noted that Serbia's tourism achieved a record profit in 2013, amounting to EUR 800 million, compared to only USD 20 million in 2000.

This speaks about the sustainability and resistance of tourism as an industry and potential that we as a country have, which we now start utilizing slowly, Ljajic said.

At a promotion of the domestic software in the ASSECO SEE company in Belgrade, Ljajic told reporters that tourism generated forex profit without enough investment, noting that the budget funds earmarked for a boost to tourism amount to around EUR 13 million this year.

"Besides, Serbia must encourage the private sector, which should be a generator of the future growth of tourism," the minister said.

According to Ljajic, a national council for sustainable development and tourism should be set up as soon as possible -one competent body that would include people from academic circles and tourism professionals, with whom we will try to create a policy in the field of tourism.

Link: <http://www.tanjug.rs/news/135002/ljajic--serbia-should-position-tourism-in-economic-agenda--.htm>

Fiscal Council: Budget deficit could be 8.7 percent of GDP

The Fiscal Council estimates that Serbia's budget deficit in 2014 could reach 8.7 percent of GDP, which is significantly more than in many other countries, Fiscal Council President Vladimir Vuckovic said on Tuesday.

The deficit would be EUR 2.8 billion, or RSD 300 billion, he noted, adding that the reason was not excessive spending, but the circumstances that had reduced the budget revenue.

"At the same time, there are high interest rates within the budget because of the high public debt, which is at EUR 21 billion or 65 percent of GDP and could reach 70 percent of GDP by the end of the year, although the legally allowed maximum is 45 percent, Vuckovic told the TV station B92.

The debt could reach 80 percent next year if nothing changes in the economic policy in the meantime, he pointed out, adding that the debt was rising by EUR 7 million each day.

"The government knows what it must do, but there delays in decision making, now there are also delays because of the floods, and there should be none," he believes, stressing that the laws on labour and bankruptcy should definitely be adopted during the summer, as well as a budget review.

The biggest expenses need to be cut down, and that refers to the pays in the government sector and pensions, says Vuckovic, adding that the government should also reconsider giving out subsidies to its companies and increase its efforts against the gray economy.

There are some positive trends in the economy as well, like the low inflation of only 2 percent on the annual level, a stable currency and the dynamics between export and import, with import being covered 75 percent by export, he remarked.

Link: <http://www.tanjug.rs/news/134814/fiscal-council--budget-deficit-could-be-8-7-percent-of-gdp--.htm>

Serbia plans to initiate bilateral agreements on visa liberalization

Serbia's Foreign Minister Ivica Dacic and Serbia's Minister of Trade, Tourism and Telecommunications Rasim Ljajic have discussed the possibilities of the further liberalization of the visa regime, as the foundation for the attraction of foreign investments and tourists to Serbia. It has been concluded that there is need to initiate bilateral agreements on visa liberalization with certain states that are significant economic partners of Serbia. The Ministry of Foreign Affairs will contact the Ministry of Interior about the facilitation for the foreign citizens that have Schengen, US or British visas.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194766>

EBRD provides up to €500 million to boost long-term lending in the Western Balkans

In a move designed to boost long-term lending to local businesses and private borrowers in the Western Balkans and Croatia, the European Bank for Reconstruction and Development (EBRD) is extending up to €500 million for on-lending to partner banks.

The funds are being provided under the Western Balkans and Croatia Finance Framework IV (WBFF IV), structured to accommodate potential demand for additional financing as a result of the recent floods in Bosnia and Herzegovina, Croatia and Serbia.

The EU, World Bank and UN are working with the authorities in the affected countries to prepare a damage assessment report over the next few weeks.

The WBFF IV will provide credit lines as well as equity, hybrid instruments and guarantees to local banks and non-banking financial institutions in Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Kosovo, Montenegro and Serbia for on-lending to micro, small and medium enterprises (MSMEs) and private borrowers.

It will also aim to expand underserved or new segments of the financial sectors, such as mortgage, leasing, factoring and consumer financing. The Framework is expected to support the financing of local MSMEs as they start to replace or repair assets damaged by the floods.

MSMEs play an important role in the Western Balkans region but face constraints in accessing long-term finance. For instance, in Bosnia and Herzegovina only 22 per cent of private sector credit is available to local enterprises. This is a burden on the expansion of existing operations and the development of new market opportunities, which the EBRD financing aims to overcome.

“The Western Balkans Finance Framework is a facility that builds on the EBRD’s success so far in supporting MSMEs and strengthening the financial sector in the Western Balkans and Croatia. This is a very effective platform to support the underserved segments of the market, including mortgage loans

and MSME lending. It is very important to strengthen the private and financial sectors across the region – especially now, when countries like Bosnia and Herzegovina, Croatia and Serbia are recovering from the damage inflicted by the recent floods,” said Henry Russell, EBRD Director, Financial Institutions.

The first two sub-projects under WBFF IV, totaling €50 million, will be extended to UniCredit Bank Serbia. The first will be a new loan of up to €40 million for on-lending to private SMEs. In parallel, a new mortgage loan of up to €10 million will be extended to increase financing for the private residential sector. UniCredit Bank Serbia is the third-largest commercial bank in the country.

The Western Balkans and Croatia Financing Framework IV is an extension of the Western Balkans and Croatia Financing Framework, a €250 million facility aimed at supporting banks and non-bank financial institutions in Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia and Croatia. The WBFF IV also includes Kosovo, which became a member and a country of operations of EBRD in 2012. Both frameworks are consistent with the EBRD’s strategy for each of the Western Balkans countries and Croatia. They are also in keeping with the Bank’s Financial Sector Strategy.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194712>

Serbia's new privatisation bill is expected to enter the Parliament in July

Serbia's new privatisation bill, which will allow for fair, efficient and market-based finalisation of the privatisation of 600 companies that are in limbo, is expected to enter parliamentary procedure in July, Serbian Minister of Economy Dusan Vujovic said on Tuesday.

On the second day of the 14th Economic Summit, partnered by Tanjug Biz, Vujovic said that slightly fewer than 2,300 companies have been privatised pursuant to the old privatisation law, adopted in 2001. A total of 161 companies are now in the process of being restructured, he added.

A 20-day public debate on the new privatisation bill will start on Wednesday in four Serbian cities - Kragujevac, Nis, Novi Sad and Belgrade. the minister announced, adding that the first privatisations are to be completed by February 2015.

Once adopted, the new privatisation law will make it possible to finish the privatisation of socially-owned capital by December 31, 2016, he said.

Vujovic also announced the adoption of the bankruptcy law, the new public companies law and the incentives law.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194683>

TURKEY



Private sector to provide energy saving in Turkey's public buildings

Turkish government plans a new model for energy saving in public buildings. For this purpose, Ministry of Energy and Natural Resources will implement a model, which is implemented in US and Germany.

According to that, public buildings' energy saving works will be assigned to private sector. If private sector provides 25 percent energy saving, it will take the amount as much as saving. In this way, it is aimed to win-win for both private sector and government.

Public will no spend

Ministry of Energy will implement Energy Performance Contract model in Turkey, which is implemented often in the world. With this model, private sector will carry out the energy efficiency works without public spending. Legal regulation about this model that has been completed with cooperation of Energy, Finance and Development Ministries, was opened for signature at cabinet.

With this model, private sector companies will carry out the energy efficiency program for all public buildings. Goal is 25 percent energy saving for each public building. If private sector procures 25 percent energy saving, amount that provided from the savings on year basis will go to companies' safes.

Necessary investment for saving will be made by companies

Within this goal, companies will analyze the public buildings about energy savings. Besides lightening, insulation and the heating systems, elevators, boilers, doors and windows will be also analyzed. Renewable energy systems will be implemented in the buildings. Reaching the 25 percent energy saving is aimed in this way.

Link: <http://www.portturkey.com/energy/6678-private-sector-to-provide-energy-saving-in-turkeys-public-buildings>

Fifth Istanbul Finance Summit to begin on Sep 15

The Fifth Istanbul Finance Summit will run from September 15 to 16 in Istanbul.

The Fifth Istanbul Finance Summit (IFS14), which has become an international event, will run from September 15 to 16 in Istanbul.

The fifth annual conference of the Istanbul Finance Summit (IFS) will play host to leading representatives of global financial markets and senior executives from financial institutions from North America, Europe, the Gulf Region and East Asia.

The summit will bring together decision makers, bankers, corporate financiers, regulators and many important figures in global terms from the economic and finance sectors.

According to summit officials, the main theme of this year's summit is innovative finance. The main topics to be debated include investment banking, venture capital funds, crowdfunding, angel investment & innovation finance, innovative tools and infrastructure financing methods and financial centers.

The summit has a regional character, and guests include Turkey's Deputy Minister responsible for the economy, Ali Babacan, Governor of Turkish Central Bank Erdem Basci, Vice Chairman of NASDAQ OMX Group, Sandy Meyer Frucher.

In addition to the Turkish state institutions and organizations such as the central bank, undersecretariat for the treasury, capital markets board, Istanbul stock exchange and banks, Turkish and international politicians will also participate in the summit.

Link: <http://www.portturkey.com/finance/6708-fifth-istanbul-finance-summit-to-begin-on-sep-15>

Business group: Turkey is 'safe port' in the region

President of Turkish American Business Association Dereli said the latest developments in the region have not influenced negatively any investment, but strengthen transatlantic relations between Turkey and the US.

The head of a Turkish business group attempted Thursday to assure foreign investors that Turkey is a safe port in the region, referring to claims that the latest developments in the Middle East and North Africa have prompted investors to pull out of Turkey.

"Our goal is to further the competitiveness of Turkey as an investment location, promote trade and investment between Turkey and the United States, develop Turkish-American business interests by providing networking opportunities, information and referrals, and by advocating," said Zeynep Dereli, president of the Turkish American Business Association.

Established in 1987 as a non-profit organization, the association is an official representative of the United States Chamber of Commerce in Turkey.

Dereli said the claims that foreign investors are withdrawing from Turkey do not reflect reality.

"In this age of increased globalization, and with Turkey's ever-increasing dominance in Eurasia and the Middle East, increased business cooperation is of great value to both nations and their corporations," Dereli said.

"US Secretary of Commerce Penny Pritzker will visit Turkey and the Transatlantic Trade and Investment Partnership is on the front burner between the two countries," said Dereli.

"We always told the foreign investors that Turkey is the best country in the region to invest, both in terms of labor force and work ethic," Dereli said. "Turkey is a safe port in the region. I think foreign investors will keep using Turkey to get into the markets in those countries with domestic turbulence."

Link: <http://www.portturkey.com/finance/6701-business-group-turkey-is-safe-port-in-the-region>

Economists predict further interest rate cuts in Turkey

Senior economists anticipate further interest rate cuts from Turkey's Central Bank to follow a 0.75 percent cut earlier this week.

Senior economic experts said Wednesday that further interest rate cuts from Turkey's Central Bank should be expected, following a cut earlier this week and government backing for a reduction.

The bank slashed interest rates by 0.75 percent – more than anticipated – on Tuesday, citing significant improvements in the trade balance and inflation outlook.

William Jackson, Emerging Markets Economist at Capital Economics, said: "Given the increasingly aggressive rhetoric from the government and the fact that there was no market reaction to yesterday's move, the easing cycle could be significant."

Jackson said the bank announced the maximum "measured" cut, as defined by Governor Erdem Basçi, without risking its independence and credibility.

"While the macroeconomic data provide little justification to ease policy, the MPC (Monetary Policy Committee) is trying to balance the need to maintain credibility in the markets on the one hand and government pressure to lower interest rates substantially on the one other," he added.

Following the MPC's decision, trading in the exchange markets reacted calmly, suggesting the markets expected the decision.

Christian Maggio, Senior Emerging Markets Strategist at TD Securities, criticized the central bank's prediction of low inflation in next few months, noting that inflation in May was at 9.7 percent and the recent rise in energy prices threaten a further increase.

He said: "The move by the Central Bank suggests more to come in the next one to two months. The Central Bank will try to link the decision to ease with declining inflation expected from June onwards. But even when disinflation kicks in, the CPI will continue to hover substantially above the 5 percent target."

Link: <http://www.portturkey.com/finance/6696-economists-predict-further-interest-rate-cuts-in-turkey>

Turkey attracts \$12.9 bln foreign investment in 2013

Turkey ranked 22nd on foreign direct investment inflow in 2013, says World Investment Report.

Turkey ranked 22nd in the world on foreign direct investment inflow in 2013, attracting around US\$12.9 billion, revealed the World Investment Report on Tuesday.

The country also ranked 11th in developing countries, according to the report announced by United Nations Conference on Trade and Development (UNCTAD).

The country had ranked 24th attracting \$13.2 billion foreign direct investment (FDI) in 2012, and international FDIs in the world increased by 9 percent to \$1.45 trillion in 2013, said the report.

Speaking at a press conference in Istanbul, deputy chairman of International Investors Association (YASED) Akin Kozanoglu said that the last two years have seen economic recovery around the world. "International investment has re-started the upward trend after the sharp decline in 2012," he added.

Kozanoglu said that the report estimates that the global FDI's positive effect will continue in developed countries in the next three years. "It is estimated that the global FDI will reach \$1.6 trillion in 2014, \$1.7 trillion in 2015 and \$1.8 trillion in 2016," he added.

The FDI in Turkey is expected to reach \$16 billion in 2014, said Kozanoglu.

"Turkey has attracted more than 46 percent FDI at \$5.1 billion in the first four-months of 2014 compared to the same period last year, according to provisional data," he added.

Turkey becomes prominent as an 'investor country' as well. Turkey ranked 39th with around \$3.1 billion of foreign investment abroad. It is expected that the country as a developing economy will rank 14th between the 2014-2016 period, said the report.

Kozanoglu noted that because Turkey is geographically close to ongoing conflicts and risk areas, its FDI is affected. He said that if Turkey were a risk-free region, its FDI would reach \$38 billion, similar to Spain.

Kozanoglu also underlined that energy and finance sectors will continue to take prominence in FDIs in Turkey.

Only ten countries' FDIs inflows increased around \$202 billion; Russia, Belgium, the U.S., Mexico, Luxembourg, the Netherlands, Italy, Canada, Germany and Spain, according to the report.

YASED, a non-profit private sector organization and its members have international companies operating in Turkey.

The World Investment Report, published annually since 1991, cover the latest trends in foreign direct investment around the world.

Link: <http://www.portturkey.com/finance/6691-turkey-attracts-129-bln-foreign-investment-in-2013>

Number of Turkish businesses increases

Turkey had 2.6 million active enterprises in 2012, an increase of more than two percent on previous year.

More than 2.6 million businesses were active in Turkey in 2012, a rise of 2.11 percent on the preceding year, according to the country's statistics authority.

TurkStat said Monday in a report on "the Annual Industry and Service Statistics 2012" that 2,646,153 enterprises were running in 2012 compared to 2,591,372 in 2011.

A total of 40.3 percent were in the wholesale and retail trade, 15.9 percent in transportation and storage and 12.7 percent in manufacturing.

Government data showed total employment was 12.6 million in industry and service sectors in 2012.

The report said 27.3 percent of jobs were in manufacturing, 25.4 percent in wholesale and retail trade (including repair of motor vehicles and motorcycles) and 10.2 percent in construction in 2012.

The report also showed the latest figure for Gross Value Added at Factor Cost -- formerly GDP at factor cost; the sum derived as the sum of the value added in the agriculture, industry and services sectors -- was 389.3 billion Turkish lira (\$182 billion) in 2012.

The manufacturing sector was top of the category at 33.7 percent.

Manufacturing was followed by the wholesale and retail trade/repair of motor vehicles and motorcycles, at 20 percent and transportation and storage showing 7.4 percent.

Separately, Turkey's industrial production advanced in April 2014, snapping two months of declines, according to figures released by Turkstat on Monday.

Industrial production recorded a one percent monthly rise in April, reversing a revised 0.3 percent drop in March and February, respectively.

Meanwhile, TurkStat also said Turkey's growth rate was 4.4 percent in the last quarter of 2013.

Turkish GDP is estimated to have increased by four percent in 2013, compared with 2.1 percent in 2012. Its growth rate was at 2.9 percent in the first quarter of 2013.

Link: <http://www.portturkey.com/finance/6679-number-of-turkish-businesses-increases>

House sales increased by 8 percent in Turkey

Turkish Statistical Institute (TurkStat) announced the house sales statistics of May 2014. According to that, house sales increased by 8 percent, and 90 thousand 377 houses were sold in May.

For the house sales of May 2014, İstanbul has the highest share (19.8 percent) of house sales with 17 thousand 852 sold house. The followers of İstanbul were Ankara with 11 thousand 004 (12.2 percent) house sales and İzmir 5 thousand 877 (6.5 percent) house sales.

House sales with mortgage had 32.9 percent share

House sales with mortgage had a 32.9 percent share of all house sales in Turkey. The most house sales with mortgage was İstanbul with 7 thousand 052 sales.

İstanbul was the first province in Turkey ranking that has most house sales with mortgage share with 23.7 percent. Mortgaged house sales had the highest share in Amasya with 42.5 percent of all house sales.

Ownership of 60 thousand 617 houses changed

In the other sales, İstanbul was the first province with 10 thousand 800 sales and 17.8 percent share. Other house sales had 60.5 percent share of all house sales in İstanbul.

Ankara was the second province with 7 thousand 49 sales. Ankara was followed by İzmir with 3 thousand 851 sales.

41 thousand 456 of houses were sold for the first time

First house sales had 45.9 percent share of all house sales in Turkey. The most first house sales was İstanbul with 7 thousand 707 sales. İstanbul was the first province in Turkey ranking that had most first house sales share with 18.6 percent. The followers of İstanbul were Ankara with 4 thousand 930 house sales and İzmir with 2 thousand 511 house sales.

Ownership of 48 thousand 921 houses changed by second hand sales. In the second hand sales, İstanbul was the first province again with 10 thousand 145 sales and 20.7 percent share. Share of the second hand sales was 56.8 percent in İstanbul in total house sales. Ankara was the second province with 6 thousand 74 sale and Ankara was followed by İzmir with 3 thousand 366 sales.

1 thousand 610 houses were sold to foreigners

In house sales to foreigners, Antalya was the first province with 652 sales in May 2014. The followers of Antalya were İstanbul with 406 house sales, Aydın with 150 house sales, Muğla with 90 house sales, Yalova with 73 house sales and Bursa with 64 house sales.

Link: <http://www.portturkey.com/real-estate/6693-house-sales-increased-by-8-percent-in-turkey>

İstanbul's new 'port town' will annual provide \$4 billion revenue

Preparations have been completed for new 'port town' that will be built near Istanbul's third airport. Project will be finished in 2018, and it will make Turkey the leader in shipping sector from Asia to Europe.

The new port will be integrated with third airport and Kanal Istanbul that will connect Black Sea with Marmara Sea as an alternative to Istanbul Strait. Port's development plan was extended. Project is aimed to be finished in 2018, and Ro-Ro ships will mostly use it. Experts expect that Turkey will be the leader of the shipping sector on its region.

Also, port will annual attract approximately 8 million tourists with cruise tourism attract. Experts say that port will yearly bring \$4 billion income.

One-fourth of population to move Arnavutköy

Land evacuation works are ongoing in the region, and seven mine were already evacuated. In addition, port's construction plan was extended. After the project completed, 4 million people, almost one-fourth of Istanbul's population, expected to live in this region.

Investors flocks to the region

Turkey's leading companies, domestic and foreign investors are looking for lands in the region. Land prices per square meter were about 20-40 TL three years before, and now prices per square meter reached to 500 TL. Yassören Village has 28-thousand decare saleable land in 2009, all of lands changed hands just in 4 years.

Link: <http://www.portturkey.com/real-estate/6680-istanbuls-new-port-town-will-annual-provide-4-billion-revenue>

UKRAINE



Ukraine's national budget sees UAH 5.3 bln of deficit in May, says finance ministry

Ukraine's national budget in May saw UAH 5.29 billion in deficit compared to UAH 2.8 billion in April, the Finance Ministry has reported on its Web site on Thursday.

According to the ministry, in January-May 2014, the deficit of the national budget came to UAH 12.22 billion, which is 33.9% down the deficit in January-May 2013, or 17.8% of the annual indicator (UAH 65.56 billion).

The deficit of the general fund of the national budget in May stood at UAH 4.82 billion, which is 2.1 times up on May 2013, while since early 2014 the deficit of the general fund is 31.7% less than the deficit year-over-year – UAH 12.62 billion.

The ministry said that revenues of the national budget in January-May 2014 came to UAH 150.65 billion, a rise of 11.3% year-over-year. Some UAH 131.83 billion was sent to the general fund of the national budget, which is 11.8% up year-over-year.

Taking into account earlier published data, in May 2014, revenues of the national budget grew by 3% compared to May 2013, but they fell by 5.2% compared to the previous month, to UAH 30.63 billion.

The general fund's revenues fell by 3.4% on May 2013 and by 8.2% on April 2014, to UAH 25.59 billion.

The ministry said that growth in revenues this year was provided with additional payment by the National Bank of Ukraine (NBU): in January-May 2014 they came to UAH 22 billion compared to UAH 6 billion last year (including UAH 2.2 billion and UAH 2 billion in May).

Revenues from the payment of internal value added tax fell by 4.9%, to UAH 34.3 billion and that for imported VAT – by 8.5%, to UAH 35.61 billion, profit tax – by 14.5%, to UAH 22.59 billion and internal excise duties – by 16.2%, to UAH 9.31 billion and imports duties – by 9.3%, to UAH 3.878 billion.

Growth of 23.1% was seen only for the fee for the use of deposits which reached UAH 6.12 billion.

VAT refunding in January-May 2014 fell by 24% year-over-year, to UAH 18.03 billion, and in May it fell by 6.6%, to UAH 4.9 billion.

Expenses of the national budget in January-May 2014 came to UAH 162.15 billion, a rise of 5.4% year-over-year, including a rise of 4.8% for the general fund, to UAH 144.93 billion.

Taking into account earlier published data, in May 2014, expenses of the national budget grew by 8.5% on May 2013 and by 1.2% on April 2014, to UAH 34.86 billion. Expenses of the general fund grew by 6.5% on May 2013 and fell by 2.3% on April 2014, to UAH 30.63 billion.

Link: <http://en.interfax.com.ua/news/economic/211090.html>

Ukraine govt approves plans to corporatize railway administration

The Ukrainian government on June 25 approved a decree to incorporate the State Railways Administration (Ukrzaliznytsia) as a joint stock company.

"This momentous decision for Ukrainian rail transport will make it possible during the reformation of Ukrzaliznytsia to progress to real action and start separating the regulatory and economic functions of public rail transport," Oleksandr Kava, coordinator for transport sector reforms at the Coordinating Center for Economic Reforms, told Interfax-Ukraine.

Link: <http://en.interfax.com.ua/news/economic/211051.html>