

**BUSINESS COUNCIL**  
**International Secretariat**

**The Weekly Economic News Bulletin**

**June 16-22, 2014**

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 weekly 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 weekly 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 [www.bsecbc.org](http://www.bsecbc.org).

**TABLE OF CONTENTS**

**ALBANIA .....3**

**ARMENIA .....5**

**AZERBAIJAN.....7**

**BULGARIA .....13**

**GEORGIA.....16**

**GREECE .....18**

**MOLDOVA .....20**

**ROMANIA .....21**

**RUSSIAN FEDERATION .....24**

**SERBIA .....29**

**TURKEY .....32**

**UKRAINE .....37**

ALBANIA



## **Albania: EUR 18 million loan for the construction of the Vlora motorway bypass**

On the occasion of his official visit to Tirana Albania, the Vice President of the European Investment Bank (EIB), Dario Scannapieco, has signed a EUR 18 million loan for the construction of the motorway bypass for the city of Vlora in Albania. The Albanian government was represented by Minister of Finance, Shkëlqim Cani, at the presence of Prime Minister Edi Rama.

The project consists of the realization of a 29 kilometers motorway bypassing the city on the southern coast of the country and reflects the Government's priority to develop a sustainable transport system in the area. The new infrastructure will also have the capacity to support tourism, stimulate private sector, facilitate trade, promote regional and national growth as well as contribute to economic and social cohesion.

The bypass is expected to save time to commuters, reduce accidents and local pollution costs in the surroundings of the city of Vlora while providing an alternative route for traffic towards Tirana.

"Infrastructures are essential to the modernisation process of Albania and the Vlora bypass represents a fundamental connection to Pan-European Corridor VIII", has stated Vice President Scannapieco. "Our commitment to this project is the best signal that the Bank of the European Union, in close cooperation with the European Commission and other financiers, strongly supports the country on its path towards the EU", he added.

Minister of Finance Cani added "The signing of the financing Vlora Bypass is another tangible sign of credibility of the Albanian Government on public projects in a large effort to modernize the national infrastructure and regional integration. Cooperation with the EIB is already a consolidated and undisputed partnership on our path towards European integration".

The EIB loan represents 35% of the total cost of the project; the balance will be provided by the European Commission under the Instrument for Pre-Accession Countries (IPA), the EBRD as well as the Government of Albania.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194478>

## **EU assists Albania to improve the reliability of electricity supply**

As reported by Western Balkans Investment Framework, over the last 15 months, the project team, working in close cooperation with the beneficiaries in Albania, undertook the study work and prepared system analyses and detailed technical assessment of the project, financial and economic assessments, financing and procurement plans, project implementation plan, and environmental and social impact assessment of the project.

In order to share and discuss the findings and outcomes of the Feasibility Study and ESIA of this project with key stakeholders, a workshop was held on May 26, 2014 in Tirana Albania. The workshop was attended by thirty five high level officials from major Albania's energy sector stakeholders (Transmission System Operator, KfW, Ministry of Energy and Industry, Ministry of Finance, Energy Regulatory Entity, Power Corporation, Ministry of European Integration and WBIF-IPF 3). Several presentations were made by the consultant's team of experts who provided relevant information on system study analysis and selection of the optimum variant, the technical assessment of the optimum variant design, financial and economic assessments, sensitivity analyses and environmental and social impact assessment for the project.

The project assessed the feasibility of constructing a new transmission line (200 kV or 400 kV), in Albania, extending from Elbasan to Fier, as well as construction of a new substation in the Kucova area. Based on these studies the optimum configuration of the project is a 400 kV single circuit line directly between Elbasan and Fier without substation in the Kucova area. A feasible 74 km long, 500 meter wide corridor has been identified between substation of Elbasan 2 and Fier. The project also includes equipping of spare bay in substation Elbasan 2 and extension and upgrade of substation Fier to 400 kV. The investment cost has been calculated to be approximately 33.1 million EUR. KfW is the lead IFI interested in funding the construction of the transmission line and the substations upgrade.

This important high voltage transmission line entails a very positive impact on the further development and strengthening of the transmission systems in Albania. It will enable the connection of Vlora and Fier cities to the 400 kV network, aiming at decreasing power loads and stabilizing supply for the southern part of Albania. The line and will create the conditions for accommodating the new electricity generation from HPPs in Devoll, Vjosa, Osumi river cascade and other new generation facilities in south of Albania, as well as to evacuate the power from the Vlora/Fier region once gas arrives (TAP project) and electricity generation from gas is achieved via TPP Vlora. In addition to improving the performance of the national network significantly, this project facilitates future regional network interconnection with Italy and (FYR) Macedonia.

The workshop concluded that the project findings are widely shared and recognised and that stakeholders are expected to submit any comments on the draft final reports on or before May 30, 2014 to be addressed accordingly in the final version of the Feasibility Study and ESIA which will be submitted in beginning of June 2014.

The technical assistance for the study work was made available to Albania by the European Union through a grant valued at €850,000 and the study was carried out in the period January 2013 through May 2014.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194267>

ARMENIA



## **Armenia and Georgia endorse priorities of territorial cooperation**

The Joint Decision Making Committee (JDMC) of the Territorial Cooperation Programme Armenia-Georgia adopted the Joint Operational Programme on Friday.

The Joint Operational Programme (JOP) sets out the basic framework of the Armenia-Georgia territorial cooperation: the main objectives and priorities, requirements for projects and beneficiaries as well as programme implementation modalities.

The budget of the programme constitutes 1.35 million euro. The programme covers Lori, Shirak, Tavush marzes of Armenia and Kvemo Kartli and Samtskhe-Javakheti regions of Georgia. The approval of the joint document paves the way to announcement of a Call for Proposals in July 2014. The Territorial Cooperation Programme Armenia-Georgia will be the first of four programmes in the Eastern Partnership countries to launch the competition for projects.

“Armenia actively supports the idea of territorial cooperation and is the first, together with Georgia, to endorse the JOP,” stressed Mr. Vache Terteryan, First Deputy Minister of Territorial Administration of the Republic of Armenia, Chairman of the inaugural JDMC meeting.

“The Territorial Cooperation Programme Armenia-Georgia will further promote friendly relations between the people of the neighboring regions in such areas as agriculture, tourism development, business, environment, education, culture and sports,” stated Alexei Sekarev, the Team Leader of the EaPTC Support Programme.

The JOP is a strategic document prepared under a joint leadership of the Ministry of Territorial Administration of the Republic of Armenia and the Ministry of Regional Development and Infrastructure of Georgia, and with advice and expertise of the Eastern Partnership Territorial Cooperation Support Programme.

The JDMC plays a key role in the programme implementation and brings together decision makers from Armenia and Georgia around one table: representatives of the central government institutions, regional and local authorities, and civil society organisations from both countries. The Committee is co-lead on a rotating basis by Mr. Vache Terteryan, First Deputy Minister of Territorial Administration of the Republic of Armenia and Mr. Tengiz Shergelashvili, First Deputy Minister of Regional Development and Infrastructure of Georgia.

Link: <http://news.am/eng/news/215477.html>

## **Asian Development Bank to fund Armenia’s energy sector**

Prime Minister of Armenia Hovik Abrahamyan received Director General Klaus Gerhaeusser of the Asian Development Bank (ADB) Central and West Asia Department.

The PM stressed the successful implementation of Armenia's several joint projects with ADB, and expressed the hope that the ongoing projects will contribute to the country's economic development.

Gerhaeusser, for his part, informed that the activities are in progress toward designing the project which Armenia and ADB will carry out in the coming years. At the same time, he expressed satisfaction with the performance of the ongoing projects, and noted that ADB is preparing to fund projects in Armenia's energy sector, too, but for the private sector. Gerhaeusser added that aside from funding, ADB stands ready to also provide technical assistance.

Subsequently, the interlocutors discussed the North-South Highway construction process, and several other joint projects.

Link: <http://news.am/eng/news/215230.html>

## AZERBAIJAN



### **Azerbaijan's foreign trade surplus jumps to \$6 bln**

The Azerbaijani State Customs Committee announced a decrease in the volume of foreign trade operations by 11.78 percent in January-May 2014 compared to the same period of 2013, the committee reported.

Azerbaijan's foreign trade partners for this period numbered 133 countries. The total trade turnover of Azerbaijan was estimated at \$12.99 billion, the report reads.

Black ink worth \$5.97 billion was formed in foreign trade operations.

Foreign trade surplus was \$6.01 billion in the same period of last year, while \$ 4.4 billion as of April 2014.

About 3,974 legal and physical entities were involved in foreign economic activities during this period, 2,758 being legal entities and 1,216 physical entities.

Export operations reached \$9.48 billion in January-May which is 8.55 percent less compared to the same period of 2013.

The public sector share in export operations was estimated at \$8.99 billion (94.8 percent), the private sector share - \$446.58 million (4.7 percent) and physical entities' share- \$50.77 million (0.54 percent).

Imports were estimated at \$3.51 billion in January-May which is 19.46 percent less compared to the same period of 2013.

The public sector share in import operations was estimated at \$956.11 million (27.4 percent), private sector share- \$2.43 billion (69.2 percent) and physical entities share - \$125.26 million (3.6 percent).

About 1,438 kinds of goods were exported from and 5,037 imported to Azerbaijan in January-May.

Link: <http://www.today.az/news/business/134677.html>

### **EBRD ready to keep being next to Azerbaijan's economic development**

European Bank for Reconstruction and Development is ready to continue to support the economic development of Azerbaijan, department director of the EBRD internal and external relations Jonathan Charles said.

"This is my third visit to your country in the last two years, which indicates the strength and growth of our cooperation: only in January-May, the bank invested in Azerbaijan's economy more than the whole of last year. We note the progress made by the country in recent years in the field of economic development. Significant reduction of poverty in ten years is a great example of that. The reforms and

measures to develop the non-oil sector also showed good efficacy. The EBRD is pleased to support the diversification of Azerbaijan's economy. We welcome the work and will of the government on holding reform and the fight against corruption, in particular achievements relating to electronic services and e-government," he said.

The EBRD is developing a five-year action plans with all countries in which it operates, according to Charles.

"We intend to focus on three main areas: strengthening of economic development, support for integration into the regional and global economy, as well as assistance in confronting global challenges. We are ready to support Azerbaijan on all these issues, and, in particular, in the sphere of the most important contemporary global challenge - improving energy efficiency," he said.

Since 1992, EBRD has allocated \$2.5 billion to implement 146 projects in Azerbaijan. Some \$1.3 million have been allocated to finance 10 government-backed projects, while \$1.2 million has financed 136 projects in the private sector.

Link: <http://www.today.az/news/business/134649.html>

### **Azerbaijan, Russia plan MoU signing in Gabala**

A Memorandum of Understanding will be signed between the Ministry of Regional Development of the Russian Federation and the Azerbaijani Ministry of Economy and Industry within the 5th Azerbaijani-Russian interregional forum.

Russian Minister of Regional Development Igor Slyunyaev made the remarks in his interview with the "Rossiyskaya Gazeta".

"I count on that the numerous planned events on significant issues for both countries will contribute to the further development of bilateral cooperation, will open new prospects for the business partnership of our countries and the possibility of attracting mutual investment," he said.

The 5th Azerbaijani-Russian interregional forum will be held in Gabala in June 23-24.

The forum should be an effective dialogue platform for the state and regional authorities of the two countries, the Russian minister said.

"The meetings of business partners, which will discuss the prospects of joint Russian-Azerbaijani projects are planned. Russian delegation at the forum is more than 200 people, including representatives of the Presidential Administration, the federal executive authorities, heads of Russian regions, representatives of business, science and the cultural spheres. It is assumed to conduct "round tables" on bilateral cooperation in the energy, banking, agricultural areas, the expansion of ties between Russian and Azerbaijani businessmen. We plan to discuss the development of interregional relations, cooperation in the fields of tourism and transport, as well as investment projects with colleagues," Slyunyaev said.

Interregional relations with Azerbaijan in various degrees support more than 75 constituent units of the Russian Federation, the minister said.

"Besides Moscow and St. Petersburg, the most active partners of Azerbaijan are the Republic of Dagestan and Tatarstan, Stavropol krai (region) , Sverdlovsk, Chelyabinsk, Rostov, Moscow, Samara, Nizhny Novgorod, Tula and Volgograd regions," he added.

The trade turnover between the two countries amounted to \$755.45 million in January-May, according to the State Customs Committee of Azerbaijan. At the same time, the country imported Russian



products in the amount of \$512.83 million and the export volume to Russia was in the amount of \$242.62 million.

Link: <http://www.today.az/news/business/134584.html>

## **Share of non-oil sector in Azerbaijan's GDP reaches 55.4%**

The State Statistics Committee unveiled the main macroeconomic indicators for January-May, 2014, according to which the gross domestic product (GDP) by the production method of calculation was 23.4 billion manat, increasing by 2.8%.

The share of the non-oil sector in Azerbaijan's GDP increased by 8.3% and reached 55.4%.

Some 61.2% of GDP was made in the production, while 11.5% in construction.

Link: <http://www.today.az/news/business/134572.html>

## **Symbol of Azerbaijani manat included in Unicode**

The symbol of the Azerbaijani manat was added to the seventh version of Unicode 7.0, Unicode Consortium reported.

The recently announced Unicode 7.0 standard has included 2,834 new symbols. The author of the symbol of Azerbaijani manat and banknotes is the Austrian designer Robert Kalina, who also designed the modern design of the euro banknotes.

The new version of Unicode 7.0 also added the symbol of the Russian ruble, new "smilies". Furthermore, the printing types of Indian and Chinese currencies have been changed in accordance with the peculiarities of the local dialects.

More information is available at [unicode.org/versions/Unicode7.0.0/](http://unicode.org/versions/Unicode7.0.0/).

The Azerbaijani manat was introduced on August 15, 1992. Initially, the manat was in circulation in parallel with the Soviet ruble, as well as the Russian Bank's tickets samples in 1992-1993, in the ratio of 1 manat = 10 rubles. The withdrawal of the Soviet and Russian rubles from circulation started on November 22, 1993, and from January 1, 1994 the manat became the sole legal payment means.

Denomination in the ratio of 5000:1 was held in January 1, 2006. Previously issued currency symbols were in circulation until January 1, 2007.

Link: <http://www.azernews.az/business/68174.html>

## **EU project develops tourism in Azerbaijan**

Achievements of the EU-funded Twinning Project on supporting tourism in Azerbaijan are evident across the country.

This was said by EU Tourism Twinning project, Resident Twinning Adviser, Daiva Chetcuti-Kirkilaite to Trend.

The Twinning Project to strengthen the capacity of the Department of Tourism in the Azerbaijan's Culture and Tourism Ministry is financed by the European Union as an initiative from the Eastern partnership program. The total contractual values of the project constitute 900,000 EUR.

The tourism Twinning Project started 16 months ago and has been implemented by Austria and Lithuania. Experts from similar institutions of both countries have been involved to come to Azerbaijan and share their own expertise in tourism development.

According to Member State Project Leader Florian Sengstschmid tourism is in general a very hard and complicated industry.

"I would even say it is one of the most labor intense industries in our global economy. Along with all these parts of the value chain of tourism, it is highly dependent on people and human beings and the contributions of their professional level. That is what also makes tourism a success story or not," he said.

"This is exactly what this twinning tool in general and our project in particular-with the efforts of Austrian and Lithuanian experts working close in hand-in-hand on collaboration with Azerbaijani partners- builds on and links to professionalize the system," he stressed.

The main goals of the project

Chetcuti noted this project is directly targeting facilitation of tourism business in Azerbaijan in full sense of the word. "As we all know, tourism being a new industry is developing very fast in Azerbaijan and promising a lots of benefits to the country."

She also emphasized that this project is contributing to tourism development through the organizational changes, because Azerbaijan is not the only country going through organizational changes in order to adapt to the changing environment as response to the changing needs in tourism. The review of the organization structure, the main goals and functions of the Tourism department and the main processes in terms of tourism development were made within the project with the purpose to professionalize the tourism management in the country.

"We brought in new functions that exist in European countries and that are still not covered by Azerbaijan, such as the strategic planning in tourism to forecast the country stance after a decade," she stressed.

"All these activities have to come out from the strategy and to be transformed into concrete actions and plans undertaken by the ministry," she said. That was the idea behind the developed marketing strategy by Twinning, which is an important mid-term policy document, which clearly emphasizes the main goals for the department.

"What is new is that these goals are measurable, that they have very clear performance indicators. For example, this marketing strategy is focusing on four achievements: the visibility, accessibility, seasonality and partnership," she said.

Giving example for accessibility Chetcuti said the goal is to facilitate the visa regime with five foreign countries per annum, while as in terms of the visibility, its main goal is to bring foreign tourist to Azerbaijan.

"The expected outcome for this goal would be to achieve the increase of foreign arrivals by 15 percent per annum from the foreign markets for the first primary target markets," she added.

Talking about the seasonality, she said, the desired outcome would be to increase the share of tourist arrivals by 0.25 from October to March. While in terms of partnership to have at least five joint marketing initiatives or schemes each year with the tour operators in the foreign countries.

#### Key achievements of the project

Speaking about the key achievements of the Twinning Project, Chetcuti said the essential achievements are basically the capacity building reforms, that show the different ways to visualize the perspective achievements.

"We also introduced representation offices abroad through companies contracted in Russia and Germany that will be promoting Azerbaijan as a tourist destination. In addition, the Convention Bureau was created which will directly facilitate the conference and incentive business in Azerbaijan," she said.

Chetcuti added elaborations on the legal component should be particularly underlined, since the acting tourism law does not correspond today's changing needs of tourism industry.

"Our legal experts gave recommendations on improvement of the current law in close collaboration with the ministry to pave the way for the secondary legislation. The purpose of the secondary legislation is to facilitate the tourism association's work as well as the business relationship between different stakeholders in the tourism industry," she noted.

The Twinning Project also proposed theoretical model for development of the recreation area and all the prerequisites needed.

"A significant recommendation provided was also development of a recreation model applicable for eco-sensitive areas, the nature aspect of which is of growing interest for foreign tourists based on the example of the mud volcanoes in Gobustan," she added.

#### Tourism potential in Azerbaijan

Sengstschmid assessed the tourism potential as huge and which is reflected as the priority in the government strategy policies.

"Actually, economy diversification and focus on non-energy, non-oil and gas sector is extremely important today in Azerbaijan. Thus, currently two million tourists according to official statistics are coming to Azerbaijan with regard to product potential in the fields of culture, sun and beach, being attracted by the nature aspect," he said.

There are many things already done with regard to infrastructure, hotels, facilities, restaurants, museums and attractions, he added. "The development potential lies especially in the software, in the people running these establishments, people working together collaborating in different fields in order to make this whole package really a unique experience and visible to the potential clients outside of Azerbaijan."

Sengstschmid noted a huge potential for development of cultural tourism, especially for European countries with the biggest outbound markets of Germany, France and UK.

"Definitely the segment of sun and beach in the northern coastal parts of Azerbaijan as a regional tourism product is a very promising experience for all neighboring markets. The nature experience in summer can start from lakes, hiking, and move to winter entertainments such as the wonderful ski resort Shah-Dag and Gabala Ski Resort, which are developing year by year," he said.

He also noted the Baku 2015 European Games, which is also a great opportunity, as well as 2017 Islamic Games, Formula One, and all other events happenings in the tourism business.

Sengstschmid also noted a convention perspective, participation at the events such as the humanitarian forum, the intercultural dialog, coupled with the huge available potential with regard to the geographical position of Azerbaijan between Europe and Asia as opening new perspectives for tourism development.

Link: <http://www.azernews.az/azerbaijan/68071.html>

## **Real average salary keeps growing in Azerbaijan**

Azerbaijan's average monthly wage for Jan-Apr 2014 grew by 4.8%, given the year-on-year inflation of 1.9%.

Compared to March 2014 it increased by 0.35% in April (given 0.2% inflation for the month). In 2013 rise of this index made up 3.8%, abc.az reports.

The State Statistics Committee reports that average monthly salary in Azerbaijan by the end of April 2014 amounted to AZN 436.7 against AZN 434.3 following March and AZN 423 by the end of 2013, AZN 396 by early 2013 and AZN 363.1 by early 2012. Year-on-year nominal wage grew by 6.7% for Jan-Apr and its nominal growth for April made up 0.55% (versus March 2014).

As of 1 May 2014 the average real wage of freelancers totaled only AZN 271.8 and civil contract employees – AZN 294.7. Salary reached AZN 1,790.9 a month in the oil sector, AZN 402.8 in the non-oil sector, AZN 351.8 in the state sector and AZN 563.9 in the non-state sector.

As of 1 January 2014 the average real wage of freelancers totaled only AZN 295.9 and civil contract employees – AZN 347.2. As of 1 January 2014 salary reached AZN 1,554 a month in the oil sector, AZN 393.3 in the non-oil sector, AZN 344.6 in the state sector and AZN 542.3 in the non-state sector.

Link: <http://news.az/articles/economy/89458>

**BULGARIA**



## **Bulgaria Records Lowest Price Levels in EU – Eurostat**

The lowest price levels in the European Union for 2013 for consumer goods and services were found in Bulgaria - 48% of the EU average, according to Eurostat latest data.

In 2013, price levels for consumer goods and services differed widely across Member States, the European statistical institute reported. Denmark (140% of the EU average) had the highest price level, followed by Sweden (130%), Luxembourg and Finland (both 123%).

Price levels at around 30% to 35% below the average were observed in the Czech Republic, Latvia and Slovakia (all 71%), Croatia (68%) and Lithuania (65%). Price levels for food and non-alcoholic beverages in 2013 ranged from 62% of the EU average in Poland to 140% of the average in Denmark. Differences in price levels between Member States were less pronounced for this product group than for the total of goods and services.

For alcoholic beverages and tobacco, prices were lowest in Bulgaria (59% of the average) and highest in Ireland (178%). This large price variation is mainly due to differences in taxation of these products among Member States.

Clothing is one of the groups of products showing a smaller price variation among Member States, with Hungary (75% of the average) cheapest and Sweden (130%) most expensive. Consumer electronics is another group of products where prices differed less among Member States, ranging from 86% of the average in Poland to 113% in Denmark, Cyprus and Malta. With the exception of Denmark (155% of the average), price differences among Member States were also limited for personal transport equipment, with levels varying from 81% of the average in the Czech Republic to 117% in the Netherlands.

For restaurants and hotels, price variations were more significant, with price levels ranging from 47% of the average in Bulgaria to 149% of the average in Denmark.

Meanwhile, Bulgaria registered levels of consumption equaling 50% of the EU's average values in 2013, Eurostat data has shown.

Link:

<http://www.novinite.com/articles/161443/Bulgaria+Records+Lowest+Price+Levels+in+EU+%E2%80%93+Eurostat>

## **Bulgaria's SMEs to Be Included In A National Registry**

Bulgaria's Small and Medium Enterprises Agency launched a national registry for the country's SMEs, reports News.bg.

The project costs BGN 400 000 and is funded by the European Social Fund and the Administrative Capacity programme.

Its goal is to include all small and medium enterprises in Bulgaria in an online platform, where they will present a brief company profile and information on their products or services, their specialisation and administrative information.

According to the project leader Toni Dimov, the registry would ease contact between the business and the state administration and would easily classify the SMEs by region, specialisation or size, for example.

Registration in the platform is voluntary and is expected to be completed by 2015.

Link:

<http://www.novinite.com/articles/161438/Bulgaria%27s+SMEs+to+Be+Included+In+A+National+Registry>

## **Bulgaria takes the 28th place for most appropriate countries for FDI**

For the first six months of 2014 the InvestBulgaria Agency (IBA) has issued 13 investment class certificates, which amounted to a total of 94.33 million lev. For 2013 the investment class certificates issued by IBA are 15. The amount of the investment projects during that year amounted to 100.34 million lev. The difference between the total investment projects throughout 2013 and the first six months of 2014 is 6.01 million lev. IBA does not expect any turn in the events related to increasing the interest towards Bulgaria as an investment destination and correspondingly a larger amount of foreign direct investments in the country. The preliminary data of the Bulgarian National Bank for April 2014 shows that the foreign direct investments in Bulgaria amounted to 106.6 million euros, while those for April 2013 were 43.1 million euros, this means that the volume of the investments increased by 63.5 million euros. This is a positive trend, but IBA notes that the examination of the preliminary data and basing on the conclusions towards provisional figures is, by all means, incorrect. Bulgaria enjoys a highly rated business environment and investment climate. The Rank of the Economist Intelligence Unit shows that our country takes 46th place in the world business environment for the period 2014 - 2018. The data shows that Bulgaria has moved one position up compared to the results of the survey for the period 2009-2013. Our country is ahead of Romania and Italy in favorable business environment. For comparison, Bulgaria's neighboring countries that fall in the list, Turkey is ranked 44th place, Romania - on the 47th, Greece – on the 62nd and Serbia on 65th place. According to the results of the study led by Daniel Altman, which was published in the American Journal of Policy and Finance Foreign Policy, Bulgaria takes the 28th place for most appropriate countries for foreign investments. The so called Baseline Profitability Index' methodology is based on eight factors: economic growth, financial stability, physical security, corruption, independence from government, cooperation with local partners, capital controls and exchange rates. The purpose of the index is to track how a certain factor will affect the foreign direct investments for a period of 5 years.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194490>

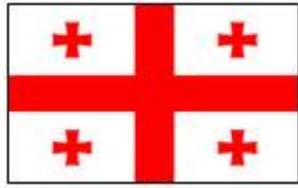
## **Bulgarian tourism is in an upward trend**

"We are expecting even better performance in tourism during the summer season and the entire 2014. It has been already concluded by the Bulgarian statistics and the data provided by the World Tourism Organization to the United Nations. For the first quarter this year, we have reached a total growth of 4.1% in the sector, and just for April, the NSI indicates over 20,8% growth of the hotel accommodation in Bulgaria, which is an excessive achievement" stated Bulgaria's Deputy Minister of Economy in charge for Tourism Department Branimir Botev on TV news<sup>7</sup>. He pointed out that during the first four months of 2014, the growth of Ukrainian tourists in Bulgaria has been of 14% in

comparison with the same period of 2013, as per the information submitted by the NSI. Generally, Bulgarian tourism is in an upward trend and it is important to increase that speed by parallel diversification of the proposed services and products, it became clear from Botevs' words. Our country has a huge potential - sunny sea, high mountains, plenty of thermal mineral water, rich cultural heritage, varied and preserved nature. All this should be promoted on the international markets in the best manner, which, on the other hands, requires comprehensive efforts by the administration and business. Botev stressed that the strategy adopted by the Government until 2030 considers the tourism as a structural industry for Bulgaria with the highest and sustainable growth. He said that the document will be the basis for consolidating the views of all stakeholders because it has been prepared with the participation of academics, universities and industry. The primary emphasis is place on its diversification. The sea saturation has reached its maximum, we have a huge potential in the mineral waters, cultural heritage, year-round mountain tourism, ecotourism, etc. The strategy, however, should be followed by its action plan – the National Master Plan. We have received an official confirmation by the Secretary-General of the World Tourism Organization His Excellency Taleb Rifai on their readiness to elaborate this Master Plan for Bulgaria. This is the highest possible quality seal for its achievements, said the Deputy Minister.

Link:<http://www.balkans.com/open-news.php?uniquenumber=194380>

GEORGIA



## EU Association Agreement to Boost Georgian Agriculture

Agriculture is at the heart of Georgian life and economy, but many farmers have struggled to overcome post-Soviet economic challenges and find attractive export markets for their goods. As Georgia's signing of the EU Association Agreement approaches on June 27, long-term benefits are being assessed by Georgian farmers such as Nino Zambakhidze, the Chairwoman of the Georgian Farmers Association (GFA) and owner of the Georgian Business Zone Tsnisi dairy plant in the Samtskhe-Javakheti region.

"There are a lot of things to comply with, but this will be a good route to start with," said Zambakhidze adding that she believes in the long-run it will be very advantageous, who is the recipient of the 2011 Millennium Award for Young Woman Entrepreneur of the Year and Honorable Country Coordinator at Invest for the Future, an organization for female entrepreneurs in southern and eastern Europe and Eurasia.

She noted that a very small amount of GFA members currently export some goods including bay leaves and vegetables to European countries including Italy and Germany, but expressed her belief that free trade with Europe will bring significant increases in the opportunities for Georgian farmers with profitable, widely-accessible export markets in Europe and an overall upgrade of the Georgian economy.

Zambakhidze and her business partner Beso Babunashvili operate the dairy plant and produce 400 kilograms of cheese per day. According to her, Georgian national demand for cheese is around 40 tons per day, so they are still well short of meeting even the national demand. The Tsnisi zone also includes a 5-hectare apple orchard, a combined feed factory and a 2.5 hectare fish nursery.

Last year's revenue for the Georgian Business Zone was 400,000 Lari, something Zambakhidze expects to as much as double with increased production and opportunities in 2015 due to the 100 new cows she will be getting next year. "We believe that signing with Deep and Comprehensive Free Trade Agreement will give us opportunity to export Georgian Tenili cheese in EU," she noted.

All Zambakhidze's production is in line with International Organization for Standardization (ISO) rules and Hazard Analysis and Critical Control Points (HACCP) rules, but strict requirements for EU importation on agricultural goods including packaging and the production process will increase costs in the short-term.

Although she acknowledges these short term monetary drawbacks as she moves to comply fully with EU standards and policies, she believes long-term growth in her business and Georgian agriculture as a whole will be substantial, as further alignment to the EU brings more opportunities with greater



industrialization and production, advantageous and plentiful export markets and a significant increase in foreign direct investment.

At a conference with president of the European Commission Josë Barroso in Tbilisi on June 13, Georgian Prime Minister Irakli Gharibashvili said that Georgian signing of the Association Agreement will allow it to increase its overall gross domestic product by 4.3%.

Although Zambakhidze currently operates her farm to meet local demand and ships only within Georgia, next year she plans to begin producing Imeruli tenili cheese and looking at export opportunities to the EU – a future trade relationship that she believes is also in the best interest of the GFA and all Georgian farmers.

“The future of Georgian agriculture really depends on co-operation,” Zambakhidze emphasized. “Uniting the farmers and producing more are the upcoming challenges we are facing now,” she explained.

Link: [http://www.georgiatoday.ge/article\\_details.php?id=12397](http://www.georgiatoday.ge/article_details.php?id=12397)

## **Rapid Rise in Georgia’s Exports in First Quarter**

Georgia’s exports, according to express data for January-May 2014, have increased by 17% compared to the same period of the previous year and equaled \$1.175 billion, while imports rose by 15% totaling \$3.322 billion, stated Mikheil Janelidze, the Deputy Minister of Economy and Sustainable Development at the presentation held on June 17, adding that the foreign trade turnover has increased by 16%.

According to Janelidze, Georgia’s foreign trade turnover with the EU countries increased by 14% in January-April time period and now comprise 26% of Georgia’s trade turnover. “The country’s foreign trade turnover to CIS countries increased by 18% compared to the same period of 2013 and totaled to \$1.169 billion,” he noted.

He also briefed journalists about the Foreign Direct Investments to Georgia, which totaled to \$260 million in the first quarter of the year – 15% higher than the same period of 2013. “The greatest share of FDI comes from the financial sector, accumulating 34% of total investments, while 18% comes from manufacturing and 17% from transport and communication,” he explained adding that the biggest investor countries are the Netherlands (28%), Azerbaijan (18%), United Kingdom (13%), Turkey (12%), Russia (8%), Saudi Arabia (7%) and the USA (7%).

Janelidze also noted that the GDP growth in January-March averaged at 7.4%.

“Positive trends are presented in the business sector. In 2013, the sector’s turnover increased by 4.2% compared to 2013 and exceeded 41 billion Lari. The turnover of the first quarter of 2014 amounted to about 10 billion Lari, which is 16% more than last year. It should be noted that the Enterprise circulation reached 5 billion Lari - 15.8% higher than of 2013.

The agriculture sector saw a significant increase in 2013, where the production of agricultural products amounted to 3.4 billion Lari in 2013, 11.4% higher than the previous year. As Janelidze noted, the sector’s indicator in GDP has increased by 9.8% in 2013, compared to 2012.

Link: [http://www.georgiatoday.ge/article\\_details.php?id=12395](http://www.georgiatoday.ge/article_details.php?id=12395)

GREECE



## **Greece and China sign 19 trade agreements for 6.5 bln USD**

Greek and Chinese officials on Thursday signed 19 bilateral investment and trade agreements worth an estimated 6.5 billion dollars, as Chinese Premier Li Keqiang launched a three-day visit to Greece by pledging to be "a long-term, responsible investor" in the country, as Kathimerini online reports. Li, who was accompanied on his visit by a large delegation of government officials and entrepreneurs, reaffirmed Beijing's interest in investing in several sectors of the Greek economy, chiefly infrastructure, transport and energy.

However, in an unexpected move, he also expressed Chinese interest in Greek sovereign debt.

Greece's return to international bond markets in April showed that "the Greek people have the wisdom and ability to emerge from the crisis," Li told a joint press conference with Prime Minister Antonis Samaras. When the Greek government next issues bonds, he said, "China will continue to be a long-term, responsible investor." Li added that a continued cooperation between Greece and China was "mutually beneficial" while Samaras described it as "strategic." Among the key agreements signed on Thursday was one for boosting trade and investment cooperation, signed by Development Minister Nikos Dendias and his Chinese counterpart Gao Hucheng, as well as a deal for Chinese bank loans to go toward the construction of Greek ships at Chinese shipyards. There were also deals aimed at boosting Greek exports of olive oil, wine and marble among other products, and for the construction of solar energy parks in Greece. Three agreements co-signed by Merchant Marine Minister Miltiades Varvitsiotis foresee closer cooperation in the maritime transport sector in which the Chinese already have a strong foothold.

Samaras and Li are to go to Piraeus on Friday morning in a symbolic visit aimed at underlining China's interest in expanding its presence at the country's main port. Already the Chinese shipping giant Cosco operates two cargo terminals there and it is interested in the acquisition of a 67% stake in the Piraeus Port Authority, one of several state-controlled assets Greece has pledged to privatize.

Link: [http://www.ansamed.info/ansamed/en/news/sections/economics/2014/06/20/greece-and-china-sign-19-trade-agreements-for-6.5-bln-usd\\_347dfcd2-2ac0-44dc-adaf-638d1ee461c5.html](http://www.ansamed.info/ansamed/en/news/sections/economics/2014/06/20/greece-and-china-sign-19-trade-agreements-for-6.5-bln-usd_347dfcd2-2ac0-44dc-adaf-638d1ee461c5.html)

## **Energy tops talks agenda between Azeris and Greeks**

Two major investments to draw much-needed revenue discussed; the privatization of Greece's gas transmission network and construction of the Trans Adriatic Gas Pipeline

Prime Minister Antonis Samaras and visiting Azeri President Ilham Aliyev discussed two major investments that promise to draw much-needed revenue – the privatization of Greece's gas

transmission network (DESFA) and the construction of the Trans Adriatic Gas Pipeline (TAP) that would cross Greece.

At a meeting of Greek and Azeri entrepreneurs in Athens, both leaders emphasized the deepening of bilateral relations and the prospects for economic cooperation. Noting that the two countries “have grown very close recently,” Samaras pointed to prospects “beyond energy,” mentioning trade, tourism and agriculture as potential areas for cooperation. Samaras described Azerbaijan as a leading player in the Caucasus region and Greece as a “gateway” for energy, trade and tourism from Asia to Europe. Aliyev, for his part, hailed Greece as a “strong player in the region and a long-term partner,” adding that TAP was not just an energy project but a way to “bring our relations to a higher level.”

According to sources, Aliyev’s talks with Samaras and other top officials on Monday focused on the progress of the two projects, particularly that of the DESFA sell-off, which has been delayed for a year due to objections by the European Commission’s competition authorities. Greek officials conveyed to their Azeri counterparts the EC’s reassurances that the project will be completed in the fall, the sources said. The fact that Greece’s energy regulator, RAE, recently provided officials in Brussels with details confirming DESFA’s compliance with EU competition laws is believed to have removed the final obstacles to the transfer of the state’s 66 percent stake in DESFA to Azeri state energy company Socar.

Socar is also involved in the much-vaunted TAP – a European drive to create an alternative to Russian gas imports. TAP involves Greece, Italy and Albania, which early last year signed a deal foreseeing the construction of a pipeline to deliver Caspian natural gas to the European Union.

At a working lunch, Greek and Azeri officials discussed a series of practical problems holding up the pipeline project, including objections by residents in Kavala and Serres in northern Greece, and in Apulia, southern Italy. Greek officials expressed confidence that they could overcome local objections so that building can progress smoothly on the Greek section of the project.

The visit to Athens by Aliyev, who also met his Greek counterpart Karolos Papoulias, PASOK leader Evangelos Venizelos and other top government officials, came just a few days before another, equally significant, arrival.

Chinese Premier Li Keqiang is due in Athens on Thursday for what authorities hope will mark the beginning of a boost in bilateral trade relations with several investments expected to be signed. Li is expected to stress Beijing’s interest in the Piraeus and Thessaloniki port authorities, Athens International Airport, Trainose, which is the operating arm of the Hellenic Railways Organization (OSE), and other state-controlled assets that are slated for privatization.

Link: <http://neoskopos.com/news/en/Energy-tops-talks-agenda-between-Azeris-and-Greeks>

## MOLDOVA



### **IN APRIL 2014, THE AVERAGE NOMINAL WAGE IN MOLDOVA AMOUNTED TO 4009,1 LEI (\$286), HAVING INCREASED BY 7.2% IN COMPARISON WITH APRIL 2013.**

According to the National Bureau of statistics, its growth amounted to 1.3%. The average salary in budgetary sector in April 2014 amounted to 3457,5 lei (+5,3% in comparison with April 2013), and in the real sector of economy - 4603,2 lei (+8%), respectively. The highest salary in Moldova in April 2014 was received by the workers of informational services and communications - 9379,3 lei, financial and insurance sectors - 7899,1 lei, enterprises operating in the field of electricity, heat and gas supply and air-conditioning - 7536 lei. The lowest salaries in April 2014 were registered in the sphere of recreation and entertainment - 2478,8 lei, in the sector of agriculture and forestry, fishery industry - 2548,8 lei, in hotels and public catering enterprises - 2689,7 lei.

Link:

[http://infomarket.md/en/social/In\\_April\\_2014\\_the\\_average\\_nominal\\_wage\\_in\\_Moldova\\_amounted\\_to\\_40091\\_lei\\_286\\_having\\_increased\\_by\\_72\\_in\\_comparison\\_with\\_April\\_2013](http://infomarket.md/en/social/In_April_2014_the_average_nominal_wage_in_Moldova_amounted_to_40091_lei_286_having_increased_by_72_in_comparison_with_April_2013)

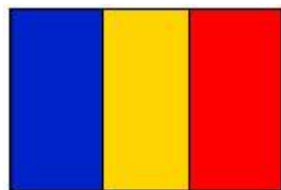
### **THE VOLUME OF CARGO TRANSPORTATIONS IN MOLDOVA IN JANUARY-MAY 2014 INCREASED BY 9.7% COMPARED WITH THE SAME PERIOD OF THE LAST YEAR, REACHING 4 MILLION 255,5 THOUSAND TONS**

As InfoMarket in the National Bureau of Statistics, in May 2014 enterprises of railway, road, river and air transport of Moldova transported 1 million 030,1 thousand tons of cargoes, or 4,2% more than in the previous month and 8.5% more than in May 2013. In January-May 2014 rail transport carried over 1 million 870,6 thousand tons of cargo, or 11.6% more than at the same period of 2013. The largest share in the total volume of goods loaded at railway stations for the first 5 months 2014, accounted for grain and flour products - 47,8% (in January-May 2013 - 27,9%), ferrous metals and scrap metal - 16,3% (in January-May 2013 - 22,9%), construction materials and cement - 6% (in January-May 2013 - 10%). The volume of freight traffic by motor transport in January-May 2014 grew by 7.9% up to 2 million 329,7 thousand tons. The most significant volumes of transportations by motor transport in this period accounted for enterprises of Chisinau (53,9%) and Balti (8%), followed by Nisporeni (5,9%), Straseni and Ialoveni (4,5%), Floresti (3,3%), Sinjerei (2,8%), Anenii-Noi (2,2%), Taraclia (2%), Orhei and Rezina (1,8%), Edinet (1,7%), Gagauzia (1,3%), Hincesti (1,2%), Soroca (1,1%) and Riscani region (1%). Cargo river transportations in January-May 2014 increased by 28.6% compared with the same period of 2013 and amounted to 54.9 thousand tons, air transport - decreased by 42.9% - up to 0.3 thousand tons.

Link:

[http://infomarket.md/en/transport/The\\_volume\\_of\\_cargo\\_transportations\\_in\\_Moldova\\_in\\_January-May\\_2014\\_increased\\_by\\_97\\_compared\\_with\\_the\\_same\\_period\\_of\\_the\\_last\\_year\\_reaching\\_4\\_million\\_2555\\_thousand\\_tons](http://infomarket.md/en/transport/The_volume_of_cargo_transportations_in_Moldova_in_January-May_2014_increased_by_97_compared_with_the_same_period_of_the_last_year_reaching_4_million_2555_thousand_tons)

ROMANIA



## **Romania sold a planned 154.23 million USD worth of six-month treasury bills**

Romania sold a planned RON 500 million (USD 154.23 million) worth of six-month treasury bills on Thursday, with the average accepted yield at 2.07 percent, central bank data showed.

Debt managers last sold six-month paper in April, at an average yield of 2.73 percent.

Emerging European debt yields have rallied in recent months, driven by investors' appetite for higher-yielding assets. In Romania, low inflation and strong market liquidity have helped push debt yields near record lows in recent weeks. Finances observed a growing interest in t-bills, which helped the national coin strengthen against the euro.

So far this year, Romania sold just under 23 billion lei and 700 million euros in domestic debt tenders.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194475>

## **Romania receives two loans worth EUR 1 billion for development policies**

The International Bank for Reconstruction and Development, part of the World Bank, grants Romania two loans worth EUR 1 billion for development policies (EUR 750 million) and health reform (EUR 250 million). The two agreements were signed on Tuesday by the minister of Finance, Ioana-Maria Petrescu, the delegate minister for the Budget, Liviu Voinea, and Elisabeta Capannelli, country manager for the World Bank.

“The two loans subscribe to the new country partnership between Romania and the World Bank, which entails a financial assistance of over EUR 1 billion a year in the 2014 – 2017 period meant to support the National Reform and Convergence plans”, according to a press release from the Finance Ministry.

According to cited sources, the EUR 750 million credit is the first of a series of loans for Romania's development and reform programs. The funds will be used to finance the following reforms:- strengthening public debt management;- increasing efficiency in public spending;- increasing management efficiency and performance in state companies;- improving conditions on the energy and capital markets;- measures regarding the national cadaster.

The EUR 250 million credit will be used for:- increasing service efficiency in hospitals;- improving at home and shifting focus towards this particular kind of medical assistance;- developing multifunctional health centers in otherwise isolated areas;- assuring the financial sustainability of the health sector.

Both loans were contracted over a period of 18 years. Both loans will be repaid in 2032 in one tranche: the EUR 250 million credit on March 1 and the other EUR 750 million credit on May 15.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194387>

## **Romania's oil production sees first growth in two decades**

Romania's oil production increased by 4 percent last year, to 86,644 barrels a day. This is the first growth in the country's oil production since 1994, when it produced 145,370 barrels a day. The largest oil production ever recorded in Romania was in 1977, of 313,541 barrels a day.

Romania's oil production last year stands for 0.1 percent of the world's total oil production. It makes the country the ninth largest producer in Europe and Eurasia region, according to data published in BP's Statistical Review of World Energy 2014.

Most of Romania's oil is extracted by OMV Petrom, the country's largest oil&gas company, which is 51 percent controlled by Austrian group OMV, but there are also some smaller exploitations.

Romania's proved oil reserves are 600 million barrels, which puts Romania on the eighth place in Europe and Eurasia, close to Denmark, who is seventh. Petrom's proven oil reserves are some 380 million barrels, according to data published by parent company OMV.

At the current market price of USD 110 per barrel for Brent oil, Romania's proven oil reserves would be valued at USD 66 billion.

Romania's oil production covers less than half of its oil consumption, which was 187,500 barrels a day last year, according to the same report. The rest of the oil is imported, mainly from Russia and Kazakhstan. Oil consumption also declined steeply, from 363,000 barrels a day in 1990. The drop in consumption led to the closing of some local refineries, such as Rafo Onesti, Arpechim Pitesti, Astra Romana si Steaua Romana.

Link: <http://www.romania-insider.com/romanias-oil-production-sees-first-grow-in-two-decades/125099/>

## **Government approves social security tax cut – sources**

The draft bill to cut social security taxes by 5 percent starting with October 1st has been approved by the Romanian Government on Wednesday and is about to be sent to the parliament, according to official sources quoted by Mediafax.

Prime minister Victor Ponta previously said the Government will discuss the project on Wednesday and sent to the parliament to be adopted by the Senate as an emergency and by the deputies at the start of July.

“We've discussed the issue with international financial institutions – we are on track to fulfill all our obligations in 2014. We were a better more levelheaded government and we set money aside for this reduction”, Ponta said.

The official believes that there is still work to be done to make sure the measure is sustainable in the long run.

For instance, the PM said on Tuesday that the tax cut for employers could be sustained for 8 years, at a budgetary cost of RON 4.8 billion per year, if the RON 40 billion that insolvent firms owe ANAF could be recovered.

“We have good news and bad news. The good news is that if we recover the RON 40 billion owed by tax payers currently in insolvency, the social security tax cut could be maintained for 8 years. The bad news is that at this time the Insolvency Code is blocked. If it would pass, there would be no more doubts about CAS sustainability”, the prime-minister said.

The reduction was originally planned for July 1 but was postponed until October and is set to have a RON 850 million impact on the budget.

The social security tax (CAS) cut by 5 percentage points, to 15.8%, would place Romania second in the region in terms of the lowest social security costs, after Slovakia, with 14%, and before Poland, with 16.26%, according to a survey conducted by Accace.

Link: <http://business-review.eu/featured/government-approves-social-security-tax-cut-sources-65853>



## RUSSIAN FEDERATION



### **Moscow-Kazan Rail Line Likely to Get Green Light Despite Delays**

The rail line was slated to be designed in 2014 and built by the end of 2018, but the tender to design and construct the railroad, and provide trains for it — the results of which were to be announced last December — has not even been put out yet.

The government is likely to support a multibillion dollar high-speed rail line between Moscow and Kazan, even though financing will be delayed, the deputy transportation minister said Thursday at the Ninth International Strategic Partnership 1520 business forum in Sochi.

"In the federal budget for 2015 to 2017, the Transportation Ministry has reserved all of the funds required to build the line," Deputy Minister Alexei Tsydenov said, adding that the project has total government support.

The overall cost of the project to build an almost 800-kilometer-long line from Moscow southeast to Kazan, including the purchase of high-speed trains and the modernization of railway stations, has been set at 1 trillion rubles (\$29 billion).

The financial structure is subject to change but an updated version of the project presented in February said that only 386 billion rubles (\$10.7 billion) of the sum will come directly from the state budget, while the rest will be covered by loans and private investment.

The rail line was slated to be designed in 2014 and built by the end of 2018, but the tender to design and construct the railroad, and provide trains for it — the results of which were to be announced last December — has not been put out yet.

But even though uncertainty about the project's terms and dates lingers on, engineering firms, suppliers and producers of bullet trains are prepared to get involved.

Germany's Siemens and France's Alstom confirmed their interest in participating in the project at the forum on Thursday.

"For the Moscow to Kazan rail line we are offering our latest-generation train. It will have a new level of comfort and safety, will be a big step forward in terms of energy efficiency," Dietrich Möller, Siemens' president for Russia and Central Asia, told The Moscow Times.

Besides the rolling stock Siemens is ready to provide engineering solutions and project management. Furthermore, Russia-based steel and mining conglomerate Evraz has recently developed technology to produce 100-meter-long rails, used in high-speed rail construction, and is prepared to supply them for construction of the Moscow-Kazan rail line, Ilya Shirokobrod, Evraz Holding's vice president told journalists Thursday.

Until recently, only the U.S. and Japan had the technology to make such rails. Japanese-made rails were used to modernize the high-speed rail line between Moscow and St. Petersburg.



Link: <http://www.themoscowtimes.com/business/article/moscow-kazan-rail-line-likely-to-get-green-light-despite-delays/502229.html>

## **Russia Is World's No. 1 Employer of Women Managers, Report Says**

Russia has a higher proportion of women in senior management positions than any other country in the world, according to professional services firm Grant Thornton.

Eastern European economies are the global frontrunners in gender equality, with 37 percent of senior management posts filled by women, well above the average of 24 percent, which was described as disappointing result in the 2014 study, titled, “Women in Business: From Classroom to Boardroom,” part of Grant Thornton's 2014 International Business Report, or IBR.

And of the the high performers, Russia fared best, with the report finding that 43 percent of senior management roles are handed to women, a figure that has held fairly stable since 2004. This may come as a surprise, given that Russia is widely perceived to be a patriarchal society, though the IBR partly attributed the high percentage to a gender ratio that favors women by 6:5.

Estonia, Latvia and Lithuania had on average the next highest proportion with 39 percent, according to IBR data, which was gathered during 6,700 interviews with senior managers from all industry sectors between November 2013 and February 2014.

By contrast, the slice of senior roles being enjoyed by women in Britain is 20 percent. In the U.S. it is 23 percent.

With just 9 percent, Japan ranked bottom of the 45-economy survey for the 10th year in a row.

Globally, the education and social services sector have the highest proportion of female senior managers with 51 percent, followed by hospitality on 37 percent. The mining industry have the lowest proportion — 12 percent.

The most commonly held management posts for women is HR Director, at 25 percent, and Chief Financial Officer, at 23 percent. Only 12 percent of chief executives were women, the report said.

Link: <http://www.themoscowtimes.com/business/article/russia-is-worlds-no-1-employer-of-women-managers-report-says/502168.html>

## **Russian Investment in Eastern Region’s Oil Sector until 2035 to Exceed \$1 Trillion**

The volume of investments in Russia’s oil industry in the east of the country will be increased by more than \$1 trillion until 2035, Deputy Prime Minister Arkady Dvorkovich said.

"First of all, oil production and supplies will grow in the eastern region of the country. The part of the eastern direction in the total exports of oil and petroleum products will increase from 12 percent to 23 percent. The expected growth in capital contributions and investment will exceed \$1 trillion by 2035," Dvorkovich said at the World Petroleum Congress.

As for the gas, the emphasis is also put on the development of gas fields in Eastern Siberia. Liquefied natural gas (LNG) share in Russia’s exports will grow from 6 percent to 30 percent, according to the Deputy Prime Minister. "The expected volume of investment in the industry will be \$700 billion," Dvorkovich said.

Earlier, Natural Resources Minister Sergei Donskoi said Russia's known oil reserves are enough to provide a yearly extraction of 600 million tons of oil for the next 30 years.

The world's top oil producer with a daily output of nearly 11 million barrels, Russia provides more than 13 percent of the world's oil. Most of its developed oil wells are located in western Siberia.

Oil and gas exports account for 10 percent of the country's gross domestic product. Last year, the Russian budget balanced at a cost of \$114 per barrel of oil, with prices averaging around \$108 per barrel.

In mid-May, Russian energy giant Gazprom and China's CNPC sealed a historic deal for gas deliveries. The 30-year contract provides for the sale of 38 billion cubic meters of Russian natural gas to China per year, with delivery via a pipeline in the East.

The gas deal requires the two partners to run additional investment projects to develop the Chayandinskoye and Kovyktinskoye gas fields, build the Power of Siberia gas pipeline in eastern Siberia and an LNG plant in Amur Region.

Link: <http://en.ria.ru/business/20140616/190560294/Russian-Investment-in-Eastern-Regions-Oil-Sector-until-2035-to.html>

## **Russian cbank chairwoman: Inflation likely to exceed 6% target '14**

The consumer price inflation (CPI) in Russia is likely to exceed the central bank's target of 6% in 2014, Chairwoman of the central bank Elvira Nabiullina said Monday at a press conference after a central bank's meeting.

"I think that there are high risks of inflation exceeding its target range of 6%," she said.

The annual CPI reached 7.6% in the beginning of June.

"The inflation will begin to shrink in the second half of 2014. A lower degree of natural monopolies' regulated tariffs adjustment, a gradual fading away of the ruble exchange rate influence because of the ruble stabilization, and an increase of the demand for ruble-denominated deposits will help this happen," Nabiullina said.

Unexpected factors may push the CPI higher by up to 1.5 percentage points, she said. "According to our estimates, the influence of unexpected factors on the annual inflation would stand at up to 1.5 percentage points. The effect of these shocks would trigger a faster growth of the CPI as compared with the target in the middle-term perspective if we kept our monetary and credit policies unchanged," Nabiullina said.

According to Nabiullina, keeping the central bank's key rate at 7.5% annually is enough to reach the CPI target. "In case inflation risks come true, the central bank will continue raising the key rate," she said.

The central bank had to raise the forecast for liquidity provision to banks in 2014 to 7 trillion rubles from 5 trillion rubles because the authority has already reached the earlier established limit amid the banking sector structural liquidity deficit, Nabiullina said.

The gross domestic product (GDP) will grow 0.9% in 2015 and 1.9% in 2016, Nabiullina said. "In the point of view of the central bank, the economic growth rate recovery in the following years will be a slow process: it will reach 0.9% in 2015 and 1.9% in 2016. The positive impact of investments will

gain momentum while the influence of the net export will fall to zero or to small negative values,” she said.

The central bank’s GDP growth forecast for 2014 stands at 0.4%.

Russia will register a net capital inflow after 2016, Nabiullina said. The net capital outflow will narrow throughout 2015 and 2016, she said.

Nabiullina said that the central bank has changed its net capital outflow estimate for January–March to U.S. \$49.3 billion from \$63 billion, she said.

The central bank has not abandoned its plan to introduce floating rate of the ruble despite it had to raise the amount of foreign currency interventions to stabilize the national currency, she said. There are still “certain risks for the financial stability,” she said.

Link:

[http://www.1prime.biz/news/politics\\_economy/ Russian\\_cbank\\_chairwoman\\_Inflation\\_likely\\_to\\_exceed\\_6\\_target\\_%E2%80%9814/0/%7BEA6950D4-6A40-4143-ADCC-86F1DE9A7DC5%7D.uif](http://www.1prime.biz/news/politics_economy/ Russian_cbank_chairwoman_Inflation_likely_to_exceed_6_target_%E2%80%9814/0/%7BEA6950D4-6A40-4143-ADCC-86F1DE9A7DC5%7D.uif)

## **Russian econ ministry backs econ amnesty plan for 2015**

Russia’s Economic Development Ministry has supported the idea to announce economic amnesty, or penalty-free registration of property held by offshore companies, in 2015, but effect of the measure will depend on other de-offshoring steps, according to a ministry’s statement published Thursday.

The Federation Council upper house proposed introducing economic amnesty from January 2015 for eight months. Offshore assets registered in Russia will be charged a reduced 2.5% tax. The measure will help getting back U.S. \$250 billion from abroad, according to the bill.

“The Economic Development Ministry favors economic amnesty of foreign capitals of domestic origin in general. The efficiency of this measure will depend on the entire set of steps targeted at de-offshoring the economy. First, it will depend on which version of law on foreign companies controlled by Russians will be approved,” the ministry said.

The Finance Ministry has suggested making Russian taxpayers, owning at least 1% in an offshore company, report to the Russian tax authorities, according to a bill submitted in March. The Economic Development Ministry has proposed a prohibition of state guarantees to off-shore firms.

Boris Titov, the country’s business ombudsman, said that the government must guarantee businessmen that they will not be charged with economic crimes when re-registering their assets in Russia, either personally or as executives of their companies.

Link:

[http://www.1prime.biz/news/politics\\_economy/ Russian\\_econ\\_ministry\\_backs\\_econ\\_amnesty\\_plan\\_for\\_2015/0/%7B52FC86D9-8556-4AAF-9362-28E616D4E829%7D.uif](http://www.1prime.biz/news/politics_economy/ Russian_econ_ministry_backs_econ_amnesty_plan_for_2015/0/%7B52FC86D9-8556-4AAF-9362-28E616D4E829%7D.uif)

## **Russian cbank opts for cheap corp loan program limit of 20 bln rbl**

The Russian central bank has supported the Economic Development Ministry's proposal to set the limit for program of low-interest rate loans on investment projects at 20 billion rubles, Chairwoman Elvira Nabiullina told reporters Thursday.

"This is our joint decision to support medium-scale and relatively large projects instead of really large ones," she said.

The limit for the program of long-term loans with interest rates standing at a level of consumer price inflation plus 1% initiated by President Vladimir Putin was earlier set at 50 billion rubles.

Companies will be granted loans with the interest rate standing at about 8.5% annually, and commercial banks will get loans with an about 6.5% interest rate, she said.

Putin said late on Wednesday that the loan program will be launched until the end of 2014.

Link:

[http://www.1prime.biz/news/politics\\_economy/ Russian\\_cbank\\_opts\\_for\\_cheap\\_corp\\_loan\\_program\\_limit\\_of\\_20\\_bln\\_rbl/0/%7B85A6473C-BE91-4FD1-BDB0-E4AC531DAFA2%7D.uif](http://www.1prime.biz/news/politics_economy/ Russian_cbank_opts_for_cheap_corp_loan_program_limit_of_20_bln_rbl/0/%7B85A6473C-BE91-4FD1-BDB0-E4AC531DAFA2%7D.uif)

## **Russian econ min may raise '14 GDP forecast after China deal**

Russia's Economic Development Ministry may raise the gross domestic product (GDP) forecast for 2014 in September after Gazprom signed a gas supply deal with China, Minister Alexei Ulyukayev said Thursday.

"We have an official forecast of 0.5% for this year, and we will most probably revise it, probably raise it in September," he said. "This will be possible thanks largely to the Gazprom's deal, to the gas supplies," Ulyukayev said.

Gazprom earlier signed a U.S. \$400 billion 30-year contract to supply 38 billion cubic meters of gas per year to China.

Low investment activity is the main reason why the country's economy grows slowly, Ulyukayev said.

The net capital outflow from Russian funds stood at U.S. \$80 billion in January–May, and in April–May, the outflow was \$15 billion.

According to the ministry's forecasts, funds will see a small inflow in June but overall in 2014, there will be about \$90 billion net outflow, Ulyukayev said.

Link:

[http://www.1prime.biz/news/politics\\_economy/ Russian\\_econ\\_min\\_may\\_raise\\_14\\_GDP\\_forecast\\_after\\_China\\_deal/0/%7B85AE1C89-6CDB-4001-9B4A-3503F007C7B6%7D.uif](http://www.1prime.biz/news/politics_economy/ Russian_econ_min_may_raise_14_GDP_forecast_after_China_deal/0/%7B85AE1C89-6CDB-4001-9B4A-3503F007C7B6%7D.uif)

## SERBIA



### **Serbia: International loans which will enable the repair of 1,100 kilometres of roads**

The Serbian parliament ratified three international loans which will enable the repair of 1,100 kilometres of roads in Serbia.

The parliament adopted the Law on ratification of the financial Agreement between Serbia and the European Investment Bank “Repair and safety of roads”.

The Law on ratification of the Loan agreement (the Project of repair of roads and improvement of traffic safety) between Serbia and the European Bank for Reconstruction and Development was also adopted.

Another law adopted is the Law on ratification of the Loan agreement (the Project of repair of roads and improvement of traffic safety) between Serbia and the International Bank for Reconstruction and Development.

Link: <http://www.balkans.com/open-news.php?uniquenumber=194499>

### **Serbia: Belgrade join Italian project eco-friendly tourism**

Serbia has become the first country in eastern Europe to join the international environmental project titled "EcoDots - Europe Green Travel", the project's coordinators have announced. The project is aimed at connecting tourists, medium-sized, small and micro enterprises in the hospitality sector, as well as tour operators and local communities, and promoting sustainable tourism in Italy, Austria, Switzerland, Germany, Slovenia and Serbia. EcoDots builds upon the Viaggi Verdi website, which was developed in an effort to boost eco-friendly tourism in Italy.

As part of the project, the web booking will be introduced for 'green' trips, the long-term goal being to involve as many countries as possible in Europe and the entire world. The coordinator of the project is non-governmental organization Le Citta Invisibili from Italy, and Serbian partners to the project are the Ministry of Trade, Tourism and Telecommunications and the Center for Research and Development Projects EcoDev.

Link: [http://www.ansamed.info/ansamed/en/news/sections/tourism/2014/06/20/serbia-belgrade-join-italian-project-eco-friendly-tourism\\_6e738278-c15c-4b5c-9177-e6ec8ed9a8b6.html](http://www.ansamed.info/ansamed/en/news/sections/tourism/2014/06/20/serbia-belgrade-join-italian-project-eco-friendly-tourism_6e738278-c15c-4b5c-9177-e6ec8ed9a8b6.html)

### **\$20 million in business contracts signed at Belarusian-Serbian forum**

Contracts and agreements worth \$20 million were signed during the Bulgaria-Serbian business forum held recently in Belgrade.

During the three-day forum, which took place following the official visit to Serbia of Belarusian President Alexander Lukashenko, representatives of the business communities and enterprises of the

two countries held talks that culminated in the signing of specific contracts as well as the identification of new prospects for mutual cooperation, BelTA reports.

The forum was attended by more than 50 businessmen from Belarus and approximately 100 members of the Serbian business community.

Bobruisk Plant of Tractor Parts and Units, MTZ, MAX, BelAX, Belshina, and Mzyrsol were among firms signing agreements, according to BelTA.

Ahead of the forum, Belarusian Deputy Prime Minister Piotr Prokopovich and Foreign Minister Vladimir Makei met with Serbian First Deputy Prime Minister and Minister for Foreign Affairs Ivica Dacic.

Link: <http://cistranfinance.com/news/20-million-in-business-contracts-signed-at-belarusian-serbian-forum/3490/>

## **Budget deficit reaches RSD 114.6 bln in five months**

Serbia's budget deficit reached RSD 114.6 billion in the first five months of 2014, Ministry of Finance stated in a release.

The deficit totals RSD 116.6 billion at the state level, as it includes expenditure for project loans, which, although not a budget item, is an item of state spending.

The budget deficit in May stood at RSD 22.8 billion. The revenues amounted to RSD 59.9 billion while the expenditures reached RSD 82.7 billion (not including revenues and expenditures of indirect budget beneficiaries), the ministry released on Thursday, noting that April revenues were significantly higher as this is the month when VAT duties for the first quarter are collected.

The floods that hit parts of the country in mid-May did not have a negative effect on tax revenues so far, Finance Ministry says.

"Possible negative effects of the natural disaster on public revenues will be seen more clearly in the coming months," the release states.

Link: <http://www.tanjug.rs/news/134424/budget-deficit-reaches-rsd-114-6-bln-in-five-months.htm>

## **EUR 30 mil from earlier EBRD loans to be used for repairs**

A total of EUR 30 million from previously approved European Bank for Reconstruction and Development (EBRD) loans for the reconstruction and modernization of Serbia's railways will be reallocated for emergency repairs of Serbia's railway infrastructure damaged in the massive flooding in the second half of May.

The reallocation was agreed at a meeting between the Serbian Railways General Director Dragoljub Simonovic and EBRD Country Director for Serbia Mateo Patrone on Friday, the Serbian Railways said in a release.

The Serbian Railways will undertake activities to prepare all the necessary documentation for the repair of the damaged railway tracks so that funds from EBRD loans could be diverted to the new projects.

Simonovic said it meant the company would be able to rehabilitate a large number of tracks on Corridor 10 and the Belgrade-Bar and Ruma-Sabac-Zvornik railway damaged during the floods.

“The interruption of freight train traffic on the Ruma-Zvornik railway is bringing us losses of up to one million euros every day, and we were forced to introduce lightweight traffic on several Corridor 10 sections, and on the railway to Bar, trains are taking detours," he said.

Patrone agreed that the loan to overhaul more than 100 kilometers of railway on Corridor 10 should be paid out in stages, so that that works on those sections for which project documentation was ready could begin as soon as possible.

Link: <http://www.tanjug.rs/news/134409/eur-30-mil-from-earlier-ebd-loans-to-be-used-for-repairs.htm>

## **EBRD ready to fund agricultural companies in Serbia**

The European Bank for Reconstruction and Development (EBRD) has invested around EUR 300 million in the Serbian agribusiness sector, and is ready to continue to fund all good projects and companies in this sector that are not over-indebted, the head of the EBRD's Agribusiness Sector Gilles Mettetal said on Thursday.

We are expecting another project in Serbia, Mettetal said, adding that a memorandum of understanding was signed on Wednesday with Serbian Minister of Agriculture Snezana Bogosavljevic-Boskovic and the Food and Agriculture Organisation of the United Nations (FAO).

The EBRD wants to provide loans to quality companies that have good projects and good corporate management and care about the environment, Mettetal said on Thursday at the signing of an agreement on a loan to Montenegro's Goranovic company at the EBRD office in Belgrade.

In Serbia, the EBRD has so far invested in successful companies such as the Victoria Group, the MK Group and Carnex, also providing funds to retail chains such as Idea, Mettetal said.

Link: <http://www.tanjug.rs/news/134207/ebd-ready-to-fund-agricultural-companies-in-serbia.htm>

TURKEY



## **Investment incentives expanded to cover energy efficiency projects**

Turkey's investment incentive scheme is being amended to encourage energy efficiency in industrial facilities. Aiming to save around TRY 15 billion (approx. USD 7 billion) a year in energy costs in the industries of iron and steel, petrochemicals and the production of cement and ceramics, the Turkish government has introduced a new set of incentives that encourage energy saving and waste heat recovery in existing manufacturing plants.

According to a statement by the Minister of Energy and Natural Resources, Taner Yildiz, increasing energy efficiency to reduce import dependency would save some TRY 65 billion (approx. USD 30 billion) by the year 2023.

“As per the decision taken by the Cabinet of Ministers on May 9th, energy saving investments that would reduce energy consumption in unit production by a minimum of 20 percent for at least 5 years in existing manufacturing facilities with an annual consumption of least 500 tons of oil equivalent (toe) energy, will be supported with Region-5 level incentive instruments regardless of the actual location of the facility,” Yildiz noted at a press event. “The same incentive will also apply to waste heat recovery, liquefied natural gas (LNG) and underground gas storage investments worth at least TRY 50 million,” the Minister added.

Turkey's investment incentive system has multi-layer support mechanisms supporting investments by their type, scale and region. Turkey is divided into 6 parts, Regions 1 to 6, within the system, and the investment projects located in higher numbered regions benefit the most.

Link: <http://www.portturkey.com/energy/6672-investment-incentives-expanded-to-cover-energy-efficiency-projects->

## **Energy saving projects to get incentives from Turkish government**

The government is set to include energy saving investments within the scope of incentives, as it hopes to save around 15 billion lira-worth of energy per year, Energy Minister Taner Yıldız has announced.

Speaking at a meeting on the issue, Yıldız said increasing energy efficiency across the whole sector would earn the Turkish economy around 65 billion liras by 2023.

“With this aim in mind, it has been decided to provide incentives for some energy investments with a Cabinet decision taken on May 9,” he added.

The decision will pave the way for several investments that introduce efficient energy use in industrial facilities, in order to benefit from the government's most privileged “fifth incentive region.”



Areas marked as part of the “fifth incentive regions” are considered underdeveloped and mostly cover the eastern and southeastern provinces, the country’s poorest regions where Kurdish militant movements have been active for decades.

The investments that qualify for incentives will be those that bring 20 percent energy saving per unit for at least five years in manufacturing facilities consuming at least 500 tons of oil equivalent (toe) energy, investments that save power through waste heat and liquidified natural gas (LNG), and underground gas storage investments worth at least 50 million liras.

Link: <http://www.portturkey.com/energy/6649-energy-saving-projects-to-get-incentives-from-turkish-government>

## **Turkey exports almost \$1 billion worth carpet**

Turkish carpet sector exported \$945,3 million worth carpet in the first 5 months of the year.

According to the data of Istanbul Textile and Apparel Exporter Associations, Turkey’s carpet export was \$880 million 381 thousand between January-May period of last year, sector exported \$945 million 349 thousand worth carpet at the same period of this year. Carpet export increased by 7.4 percent.

Total 85 percent of exports was machine-made carpets with \$806 million 720 thousand.

Followers of machine-made carpets were tufted carpets with \$82 million 615 thousand, hand-made carpets with \$50 million 375 thousand and rugs with \$6 million 50 thousand.

Most of exports were to Saudi Arabia

Saudi Arabia was the biggest market of Turkish carpet sector in that period. Total export to Saudi Arabia was \$175 million 534 thousand-worth carpet. Exports to Saudi Arabia increased by 3 percent and it provided 18.5 percent of total carpet exports.

The followers of Saudi Arabia were USA with \$107 million 542 thousand, Germany with \$54 million 22 thousand and Iraq with \$39 million 4 thousand.

Link: <http://www.portturkey.com/finance/6674-turkey-exports-almost-1-billion-worth-carpet>

## **Turkey shines as a manufacturing powerhouse in Europe – E&Y report**

Turkey’s performance in attracting foreign direct investments (FDI) over the last 5 years has been praised in global consulting firm Ernst & Young’s “Attractiveness Survey - Europe 2014: Back in the Game” report.

Placing special emphasis on Europe’s FDI landscape in the post-crisis years, the report lists Turkey and Russia as highly attractive destinations for FDI, drawing global investors with their market potential, skilled workforce and improving business climate, stating that although Turkey did not appear in the top 15 FDI destinations in Europe prior to the 2008 economic crisis, it saw a significant increase in FDI projects, by 129 percent, accompanied by a 162 percent increase in job creation, between 2009 and 2013.

Large investments in the manufacturing sector contributed most to Turkey’s positive FDI track record in 2013 during which a general decline in FDI projects was observed in the Central and Eastern

European (CEE) region. The country attracted 98 FDI projects in 2013 over 2012's 95, affirming itself as Europe's new hotspot for large manufacturing investments, the report notes.

Link: <http://www.portturkey.com/finance/6673-turkey-shines-as-a-manufacturing-powerhouse-in-europe--eay-report->

## **Turkish Deputy PM calls for financing of infrastructure**

Turkish Deputy PM and Economics Minister Ali Babacan calls for Public Private Partnerships to cooperate in financing the \$700 billion which Turkey proposes to spend on infrastructure projects before 2023.

Economics Minister Ali Babacan told a conference in Istanbul that there is a serious need for reform of infrastructural projects in Turkey.

The conference held on Thursday in Istanbul's Marmara Hotel entitled 'Developing Infrastructure Products for Investors' was opened with speeches from Capital Markets Board President Vahdettin Ertas and European Bank for Reconstruction and Development Vice President Manfred Schepers, who described the challenges and obstacles for infrastructure development in Turkey.

Turkey's major projects, enumerated by Ertas, include a third airport in Istanbul, high-speed train lines and nuclear power plants. Ertas said the new Capital Markets Law introduced in early 2013 reformed Turkey's legal technical and institutional infrastructure for capital markets, with these new regulations in harmony with EU directives. Ertas emphasized that the required infrastructure investments must be realized on time, adding that Turkey holds a geo-strategic position in terms of trade and energy.

Schepers said that while mature markets still need harmony between financial markets and regulation, emerging markets need guidance from more mature market leaders. Excessive involvement by the public sector in development projects is holding back private investments. Schepers added there is nonetheless a need for sustainability and stability in infrastructure investment structures.

Turkey's Economics Minister Ali Babacan gave the closing speech for the plenary session, beginning by saying infrastructural investments are important tools to develop economic growth, and there is a serious need for reform of infrastructural projects within Turkey.

Babacan added that until 2023, \$700 billion are necessary for infrastructure projects in Turkey, of which \$200 billion will be arranged through public-private partnerships. necessary because public capacity is not sufficient. Babacan emphasized that infrastructural investment tools should be in harmony with capital markets, and tools and legislation have to be arranged accordingly.

Babacan expressed that in recent years, there has been rising interest in interest-free development. Some countries use 'sukuk' financing, an Islamic financial certificate, similar to a bond in Western finance, which is compliant with Shariah or Islamic religious laws. Babacan said Turkey's Capital Markets Board has introduced five tools for 'sukuk' financing in Turkey over the past one and a half years, but because the new laws were enacted during Gezi Park and the 17 December graft investigations, these developments were overshadowed by those events.

Babacan asserted that despite 'hiccups' in the last two years, once the political atmosphere 'normalizes' after the presidential and general elections over the next year, the ruling AK Party believes Turkey will be a center of attraction for development of infrastructure projects. Babacan asserted that after the general elections in 2015, political stability will emerge, adding that human rights, freedoms and the rule of law are critical. Turkey needs to deal with some points which are 'lacking,' but Babacan argued ruling party reforms are in sync with the EU, adding that political reforms must be supported by economic reform.

Babacan called for Turkey to be less dependent on foreign energy sources, saying "we must be more innovative and involved in research and development." Babacan added that the principles guiding Turkish macroeconomic policy include reducing the current account deficit, the continuing of financial discipline and the reduction of primary market rates. Financial discipline will continue, and the central bank will remain independent. Babacan ended by saying "Between now and 2023, we will progress. The more robust our financial infrastructure, the more robust will be our macroeconomic development."

Link: <http://www.portturkey.com/finance/6663-turkish-deputy-pm-calls-for-financing-of-infrastructure>

## **Turkey could cut rates this month if inflation falling**

Turkey's Central Bank could review interest rates as soon as this month if it is convinced that the outlook for inflation is improving significantly, Governor Erdem Başçı has said.

He said that economic growth was on track and that Turkey's current account deficit - its main economic weakness - would narrow "swiftly" this year as the economy keeps rebalancing.

"A cautious, measured, gradual rate cut process is being priced in. We are observing it in long-term rates, as long as the confidence in the Central Bank reducing inflation continues, as long as it's being observed in long-term rates, we will do it," Başçı told business leaders in the central city of Konya June 16.

"But we will do it with caution, without upsetting the balances, without destabilizing," he added.

Başçı also asserted the bank's independence, saying it was not subject to political interference or any sort of "tutelage" and would use interest rates as it saw fit.

Asked how soon an interest rate cut could come, Başçı said it could be on the agenda at the monetary policy committee meeting on June 24.

"If everyone is convinced that inflation is falling, if we are convinced that the inflation outlook has improved, we will evaluate it ... but we don't have to do it. We will make a decision that takes into account all risks, all factors, all possible shocks, risk premiums," he said.

Prime Minister Recep Tayyip Erdoğan, determined to maintain growth ahead of presidential elections in August and parliamentary polls next year, has been a frequent critic of Central Bank policy and has repeatedly called for lower interest rates.

Rates 'a policy tool'

Başçı defended the bank's use of interest rates as one of its main policy tools. "We are human, and we are also citizens of this country. We also don't want high interest rates, but this is a policy tool for us," Başçı said.

"It is one of the tools, and if one tool was missing, you could not do what's necessary. We have showed to everyone that we can use this tool when needed."

Başçı said the economy was growing at around 4 percent, in line with the government's targets, and that inflation would start falling from June. He said the current account deficit would narrow towards 5 percent of economic output this year as growth becomes more balanced, with net exports set to have had a positive impact in the second quarter.

But he warned that Turkey's high loan-to-deposit ratio of around 135 percent could trigger forex and interest rate volatility if it continues at this level.

Başçı also touched on the independency debate surrounding his institution, saying "the Central Bank is a representative of the government, but not a tutelgae institution."

"The Central Bank is an agency and is outside of politics," he said.

He said the Central Bank was monitoring events in Iraq, Turkey's second-biggest export market, where an offensive by Sunni insurgents threatens to dismember Iraq and leave Turkey with a widening Islamist insurgency along its southern borders.

Link: <http://www.portturkey.com/finance/6648-turkey-could-cut-rates-this-month-if-inflation-falling>

## **Istanbul 'can become global finance hub'**

Turkey's finance minister has said the country aims to be among the top-three performing economies in Europe within a decade.

Mehmet Simsek was speaking alongside leading figures from Turkey's economy on Friday on a panel covering Istanbul's potential to become a finance hub.

Simsek, chairman of Central Bank Erdem Basci and chairman of Istanbul Stock Exchange Ibrahim Turan, were attending the Future Cities Forum: 'Mega Cities & Financial Capitals.'

Minister Simsek set the bar for Turkey's economy to rise into the top three in Europe and top ten in the world in the next few decades.

Turkey's growth was 4.3% in the first quarter of this year, above expectations, and signaled optimism despite struggling months before the March 30 elections.

Turkey's finance head praised the country's solid banking system, which came through 2009's financial crisis in Europe without taking any bailouts from the state.

Simsek stressed the importance of the strength in the banking system and said their profitability should not be perceived negatively, responding to criticism over the banking sector's high profit rates.

Simsek said Istanbul was ranked as the 47th biggest financial center globally as of March this year after climbing up from the bottom of the list when the incumbent government took power.

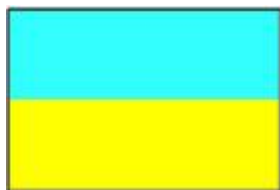
The general manager of Turkey's stock exchange, Borsa Istanbul, said the financial capital's geographical location was very promising for becoming a regional and global financial hub.

Istanbul's first goal should be to become a leading finance center in the region, said Ibrahim Turan and it has the capacity and capital to achieve.

Turan said Istanbul is the eighth most liquid emerging market in the world, enabling investors to access a great potential of capital and liquidity.

Link: <http://www.portturkey.com/finance/6640-istanbul-can-become-global-finance-hub>

UKRAINE



### **Kyiv's debt equals to \$550 mln, UAH 5.5 bln, says Kyiv administration**

Kyiv city's debt at present amounts to \$550 million and UAH 5.5 billion, Deputy Head of Kyiv City Administration Ruslan Kramarenko has said.

"Today the city's debt amounts to \$550 million and UAH 5.5 billion. In October 2014, the domestic debt of UAH 2.63 billion is to be settled," Kramarenko said at a meeting at Kyiv City Administration on Monday.

He said that the city administration is holding talks with the Finance Ministry and the National Bank of Ukraine (NBU) on refinancing of the debt.

"We could issue new bonds instead of the old one and a draft decision on agreeing some proposals has been drawn up," he said.

Link: <http://en.interfax.com.ua/news/economic/209484.html>

### **Lagarde tells Poroshenko IMF set for fruitful cooperation**

Managing Director of the International Monetary Fund (IMF) Christine Lagarde has told Ukrainian President Petro Poroshenko that the fund is set for fruitful cooperation with Ukraine, reads a statement posted on the official Web site of the head of state.

The sides spoke on the phone on Thursday.

"The IMF chief congratulated the head of state on a convincing vote in the Verkhovna Rada on the appointment of Valeriya Gontareva as governor of the National Bank of Ukraine, and assured support for the actions of the Ukrainian authorities and determination for fruitful cooperation. Petro Poroshenko thanked Christine Lagarde for the fund's assistance to Ukraine in a difficult period for the state," reads the report.

Link: <http://en.interfax.com.ua/news/economic/210089.html>