

BUSINESS COUNCIL
International Secretariat

The Weekly Economic News Bulletin

April 28-May 4, 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 monthly economic news bulletin, which includes news about tenders, exhibitions, conferences, B2B and matchmaking meetings and the key economic developments within the BSEC Countries in a wide range of sectors.

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

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

TABLE OF CONTENTS

ALBANIA2

ARMENIA5

AZERBAIJAN.....6

BULGARIA12

GEORGIA.....18

GREECE21

MOLDOVA.....24

ROMANIA27

RUSSIAN FEDERATION.....33

SERBIA35

TURKEY.....38

UKRAINE.....45

ALBANIA



Albania's GDP increased in Q4 2013- Imported inflation has been on decrease

Bank of Albania (BoA) governor Ardian Fullani on Wednesday told a news briefing that Albanian Gross Domestic Production (GDP) increased by 1.1 percent in the last quarter, 2013.

Imported inflation has been on decrease; public investments have increased whereas the capability to maintain sustained rates is a key factor, according to Fullani.

Fullani added that fiscal consolidation is expected to run at rapid rates whereas banks continue to tighten the lending standards.

Concerning the economic growth, the governor said that the economic growth is expected to be more balanced during 2014.

Link: http://www.shanghaidaily.com/article/article_xinhua.aspx?id=215854

Albania's economic growth at 2.1 pct in 2014- IMF

The International Monetary Fund (IMF) forecast that the economic growth of Albania in 2014 will stand at 2.1 percent, local media said Tuesday.

The IMF forecasted that the real increase of private consumption in Albania will turn positive in 2014 to 0.5 percent.

Real increase of domestic demand will be at 2.9 percent in 2014, and to hit five percent in 2015, according to the IMF.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192513>

Albania and Croatia discuss projects that will assist sustainable development

Albania's Prime Minister Rama met with Croatian Parliament speaker Jozip Leko, who is in Tirana within the Adriatic-Ionian initiative.

Prime Minister Rama and the Croatian Parliament Speaker Jozip Leko praised the excellent relations between our two countries. In addition, they agreed on mutual commitment to expanding and deepening these relations in the future by strengthening cooperation in areas of mutual interest such as energy, infrastructure, tourism, etc.

The meeting was considered extremely important for the promotion of cooperation between the two countries through joint initiatives and projects that will assist sustainable development.

Prime Minister Rama praised the support that Croatia has given and continues to give Albania towards European integration, not only as a friend but also as a country from whose experience Albania can learn a lot. Parliament Speaker Jozip Leko said that Croatia will continue to support Albania in its EU integration process, hoping that June will bring a positive response on candidate status.

As far as other developments in the region are concerned, Prime Minister Rama and Mr. Leko agreed on the fact that the policy of peace, tolerance and mutual respect generates security and stability.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192565>

Turkey is considered a strategic partner in Albania's Foreign Policy Strategy

On April 18-19, 2014, Mr. Ditmir Bushati, Albanian Foreign Minister, conducted his first official visit to the Republic of Turkey.

Mr. Bushati's arrival to Ankara is the continuation of an extensive dialogue and bilateral cooperation between both nations which has gained a new momentum with the official visit to Albania by Turkish Foreign Minister, Prof. Ahmet Davutoğlu, on October 4-5, 2013, as well as the first official visit to Ankara of the Hon. Mimi Kodheli, Albanian Defense Minister, on April 18th, 2014. Immediately after the leader of Albanian Socialist Party, Edi Rama became a Prime Minister, in September 2013, after the general elections of June 23rd, 2013; Albania's strategic relations with Turkey were given a special priority and became highly important.

According to Prime Minister Rama, Turkey is considered a strategic partner in Albania's Foreign Policy Strategy and his government aims to further strengthen the bilateral cooperation with Ankara, especially in the economic and commercial partnership. Under this framework, in February 2014, was held in Tirana the Albania-Turkey Economic and Trade Forum. In his statement Mr. Rama emphasized that Turkish investors will very soon experience a tremendous reduction of bureaucracy and friendly policies towards the opening of their businesses in Albania.

He added: "We consider you as ambassadors and promoters of our country in the world." Turkey is the second largest trading partner of Albania and its daily consumption products, merchandises and commodities are always present in Albania's markets. Some of the largest Turkish companies, with a focus in areas such as construction, telecommunications, transportation and education are: ENKA, Gintaş, Armada, Metal Yapı, Aldemir, Servomatik, Çalık Holding/Türk Telekom, Makro-Tel/Hes Kablo, Albanian Airlines (Evsen Group), Gülistan Foundation, Istanbul Foundation, Epoka University.

In his visit to Ankara, Mr. Bushati had a lengthy conversation with his counterpart, Prof. Dr. Davutoğlu, and particularly addressed the strong bilateral economic relations, international and regional security issues, and most importantly, Tirana's aspirations to establish a bilateral "High Level Partnership and Cooperation Council" between Tirana and Ankara.

In their joint press conference, Foreign Minister Davutoğlu said that the two countries have agreed to establish the "High Level Partnership and Cooperation Council" and this bilateral body will be meeting in the weeks ahead, to discuss pending items of the mutually beneficial agenda. Turkish investments in Albania have increased by US\$ 2 billion and the bilateral trade volume has reached more than US\$1 billion, from US\$400 million, only five years ago.

Another item in the discussions were the potential venues of strengthening the cooperation between the two ministries, while placing a special importance to Albania's EU integration and membership status.

According to Minister Davutoğlu, the Turkish Diplomatic Chief: "We together endeavor for our common goals, will continue to work together, at the highest level in international organizations as well. We agreed to establish the Turkey-Albania High Level Cooperation Council"

In this occasion, the two counterparts signed an agreement and Memorandum of Understanding focused in the bilateral Cooperation of Information Technologies.

Foreign Minister Davutoğlu, visited Albania on October, 2013; he met with Prime Minister Edi Rama, and Foreign Minister Bushati. During his visit, Turkish Foreign Minister initiated the dialogue to establish the High Level Strategic Cooperation Mechanisms, that would be highly beneficial to both countries' economies, trade and bilateral political dialogue.

Albania and Turkey, have maintained a close partnership within the North Atlantic Treaty Organization, the Southeast European Cooperation Process (SEECP) as well as have been working closely in Peace Keeping operations in Afghanistan, Bosnia Hercegovina and other hot spots in the world. This year, Tirana will assume the chairmanship of SEECP and under its leadership the strategic role of Turkey and its contributions will further be solidified in the Balkans.

Link: <http://www.eurasiareview.com/02052014-turkey-albania-establish-dynamic-agenda-bilateral-relations/>

Greece and Albania discuss the Adriatic-Ionian Initiative

Albania's Prime Minister Rama held a meeting with the Chairman of the Parliament of Greece Vangelis Meimarakis, who is on an official visit in Tirana.

Expressing mutual satisfaction for this meeting, the two dignitaries praised the excellent relations that exist between countries and expressed their shared for further consolidation.

Prime Rama said that the visit of Mr. Meimarakis in Tirana, even within the Adriatic-Ionian Initiative, serves to strengthen regional cooperation bridges and development of joint projects between countries in the region.

Prime Rama expressed gratitude for the support that Greece has given and continues to give Albania's European agenda for progress. While Mr. Meimarakis, as reaffirmed that Greece fully supports the efforts of Albania's EU integration, said that one of the objectives of the Greek Presidency of the EU Council, is that Albania until June to have a positive report on the status of the country candidate.

The discussion focused on regional developments where it was stressed that the fruitful cooperation between the countries of the region, serves prosperity of countries, as well as preserving and strengthening peace and stability.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192484>

ARMENIA



Armenia’s CU accession agreement will be ready by June 1 – official Minsk

The agreement on Armenia’s accession to the Customs Union (CU) and the Eurasian Common Economic Space (CES) will be prepared by June 1.

Once the agreement is prepared, it will be submitted for discussion among the heads of states at the Supreme Eurasian Economic Council meeting, which will be convened on May 29 in Astana, the capital city of Kazakhstan.

The Belarus Presidential Press Service informed that the presidents of Russia, Belarus, and Kazakhstan have approved—at the Supreme Eurasian Economic Council meeting held Tuesday in the Belarusian capital city Minsk—the work done so far with the roadmap on Armenia’s CU and CES accession.

Specifically, from the roadmap’s 126 points, which need to be fulfilled prior to the signing of the agreement, 111 points have been fulfilled plus fifteen points will be included in Armenia’s CU and CES membership agreement.

Following the talks that were held on September 3, 2013 in Moscow between Armenian and Russian Presidents Serzh Sargsyan and Vladimir Putin, Sargsyan had announced that Armenia plans to join the Customs Union and subsequently engage in the formation of the Eurasian Economic Union. In December 2013, the “roadmap” for Armenia’s accession to the Customs Union was adopted. And in January of this year, the Government of Armenia approved the action plan for the implementation of this “roadmap.” Aside from Russia, Belarus and Kazakhstan likewise are members in the Customs Union.

Link: <http://news.am/eng/news/206919.html>

AZERBAIJAN



Major milestone for Shah Deniz project happens as offshore installation contract awarded

The Shah Deniz consortium announced a major offshore transport and installation contract award for the Stage 2 development of the Shah Deniz field to the BOS Shelf LLC, Saipem Contracting Netherlands B.V. and Star Gulf FZCO consortium.

"The award of this \$1.8 billion contract, part of the Shah Deniz Stage 2 and South Caucasus Pipeline Expansion (SCPX) projects, underlines the tremendous progress made across all areas since the final investment decision last December," according to a message from the Shah Deniz consortium.

The scope of work of this contract includes the offshore transport and installation of both jackets and topside units, subsea production systems and subsea structures. It also includes the laying of over 360 kilometres of subsea pipelines, diving support services, the upgrade of three installation vessels - the pipelay barge "Israfil Huseynov", the diving support vessel "Tofiq Ismayilov" and the derrick barge "Azerbaijan". The work is expected to be completed by the end of 2017.

"This is a huge contract award and it marks a major milestone for this historic project. This is the 13th major contract since the final investment decision. In total some \$7 billion worth of supply and service work will be mainly performed within Azerbaijan," Gordon Birrell, BP's Regional President for Azerbaijan, Georgia and Turkey said.

"We are pleased that both Stage 2 and SCPX projects are making very good progress across all areas of this giant gas development and export project. They are moving forward at pace and activities have already commenced at all fabrication and construction sites near Baku. All these tremendous efforts and activities underpin our plans to begin first gas exports in late 2018," Birrell added.

Today's announcement follows the signing of a \$378 million contract by Shah Deniz with Baku Shipyard on April 23 to design and build a subsea construction vessel (SCV). The SCV will be a new flagship vessel for the Caspian and will be used for the Stage 2 project subsea installation activities for over eleven years between 2017 and 2027.

The vessel will include dynamic positioning to allow working in 2.5 metre significant wave height (Hs), a 750 metric tonne main crane for 600m subsea operation, an 18-man two - bell diving system, two work-class remotely operated vehicles (ROVs), a strengthened moon pool, two engine rooms with 6x4.4MW + 2x3.2MW engines and a deadweight of 5,000 metric tonnes at 6.5 metres draft.

The SCV will be designed by Marine Technology Development, the ship design and development arm of Keppel Offshore & Marine (Keppel O&M). The vessel will be delivered in April 2017.

Baku Shipyard is a joint venture comprised of SOCAR, the Azerbaijan Investment Company and Keppel O&M.

Link: <http://www.today.az/news/business/133172.html>

ICT sector share in Azerbaijan's GDP to reach 9% by 2020

The average annual growth in the ICT sector in Azerbaijan in 2020 is expected to be 18-20 per cent, and income of the sector will be approximately \$8-9 billion, the Deputy Minister of Communications and High Technologies Elmir Valizade said.

"This is a very important goal, and now the work is already being done in this direction," Valizade said during the first international Caspian Energy Forum - 2014.

If in 2003-2009 the share of ICT in GDP was five per cent, it is expected that by 2020 this figure will reach nine per cent, according to the deputy minister.

The ongoing reforms confronts the ministry with the new goals and objectives, among which are development of micro-, nano-, bio-, space and nuclear technologies, the introduction of high technology and obtaining of new materials on their base, including the creation of conditions for the production resource-intensive technologies and products.

"It is necessary to create a favorable competitive environment and increasing staff potential in order to achieve these goals. It is important to strengthen cooperation with the private sector of economy," Valizade said.

In general, an important component of doubling GDP of the country by 2020, in accordance with the "Azerbaijan 2020: A Look into the Future" Development Concept is the development of non-oil sector of the economy and the transition from a traditional to knowledge-based economy expansion of innovative activity, etc.

Link: <http://www.today.az/news/business/133064.html>

CEIBC advances entrepreneurship in Azerbaijan: official

The Caspian European Club (CEIBC) is contributing to the development of entrepreneurship and the operation of the government agencies in Azerbaijan.

The remarks were made by Chairman of Azerbaijan's State Customs Committee Aydin Aliyev at a joint business forum on April 30.

Organized by the State Customs Committee and the CEIBC in Baku and chaired by Aliyev, the joint business forum was dedicated to the discussion of all the development aspects of Azerbaijan's customs sector.

Addressing the session, Aliyev spoke about the considerable changes made in Azerbaijan's customs system since January 1, 2012.

Azerbaijan currently ranks 39th out of 138 countries on the transparency of the customs service operations.

Aliyev also noted in June 2013 a representative from Azerbaijan was elected the Deputy Chairman of the World Customs Organization, which brings 81 countries together.

The CEIBC was established in June 2002 in association with the Caspian Energy International Media Group and under the support of the largest oil and gas companies working in the Caspian-Black Sea region.

Azerbaijani President Ilham Aliyev is the CEIBC's Chairman.

Since its establishment, the CEIBC has promoted directing the oil sector revenues to the development of the non-oil sector. The CEIBC is operating in 50 countries worldwide, carrying out active work to support dialogue between government agencies and the private sector. The Chairman of the State Customs Committee was granted the CEIBC Honorary Membership Certificate.

Aliyev also handed certificates to the member companies of the CEIBC, particularly AGA Group of Companies, SINAM, Aral Group, Atropatena, Mustafa Tayat, Lindab Buildings, Murphy Shipping&Commercial Services Azerbaijan JV, and Asia Sky Express & OCS.

The business forum was attended by officials of the State Customs Committee, heads of companies, and the ambassadors of the Caspian-Black Sea region and the EU countries accredited to Azerbaijan. Later, Aliyev told journalists that the customs clearance term for import-export operations will be reduced three-fold in Azerbaijan.

"The state committee has prepared a package of proposals for the government to amend certain regulations," he said. "This work is conducted in accordance with the presidential decree on additional measures for the development of entrepreneurship. And one of the most important innovations is a proposal to reduce the duration of customs clearance. As it is known, it is 72 hours, and we've proposed bringing it down to 24 hours."

This will help support the agricultural producers, as their products are perishable, he added.

"Another change will be more global," Aliyev said. "The matter is included in a package of amendments to the presidential decree on the liberalization of foreign trade since 1997. These proposals will eliminate several small problems in the customs declaration and take care of various aspects which have to be coordinated."

Link: <http://www.azernews.az/business/66651.html>

Azerbaijan to join ADB's 7th annual meeting

Azerbaijan's Finance Minister Samir Sharifov will participate in the 47th annual meeting of the Board of Governors of the Asian Development Bank (ADB), the country's Finance Ministry reported on May 1.

An Azerbaijani delegation led by Sharifov, who is also a member of the ADB Board of Governors, will take part at the meeting to be held in Kazakhstan's capital on May 2-5.

The event will bring together over 3,000 representatives from ADB member states, including ministers, central bankers, government officials, businessmen, representatives of international financial institutions and civil societies, renowned scholars and experts.

The main theme of the meeting is 'The Silk Road: Connecting Asia with a Changing World'.

Azerbaijan, joined ADB on December 22, 1999, will host the 48th annual meeting of the ADB Board of Governors in 2015.

A special pavilion will be constructed for this occasion and Days of Azerbaijan will be held in order to familiarize delegates and guests with Azerbaijan.

Established in 1966, ADB has 67 member - countries. The bank's headquarters is located in Manila, the capital of the Philippines.

Link: <http://www.azernews.az/business/66657.html>

Azerbaijan to reduce discount rate

Azerbaijan will reduce discount rate by 0.5 percent from May 1, 2014.

Under the decision made by the management board of the Central Bank of Azerbaijan (CBA), discount rate will reach 4.25 percent.

"Given the low inflation level, the decision was made with the aim of providing the necessary support for the national economy's diversification, increasing investment activities in the non-oil sector, and creating the conditions to continue the drop in interest rates," CBA said.

The parameters of the interest rate corridor have also changed; the corridor's maximum level was reduced from 7 percent to 6 percent, and the minimum level from 1 percent to 0.5 percent.

In its last meeting, the CBA management board pointed out that the national economy's growth had continued in the first quarter, and that the main source of this growth was the non-oil sector.

"The country's favorable external position has been maintained, and the strategic currency reserves continued to grow. Macroeconomic stability has strengthened and there has been a drop in inflation, its average level reaching only 2 percent in the first three months. The stability of manat's exchange rate continues to play an important role in maintaining macroeconomic stability," CBA noted.

The total amount of the CBA's currency reserves exceeded \$14.7 billion in the first quarter of 2014. The figure was \$12.33 billion in the first quarter of 2013.

The CBA's currency reserves increased by 21 percent and reached \$14.152 billion in 2013.

The CBA plans to increase the volume of its reserves to \$16 billion by late 2014.

The rapid growth of currency reserves was the main factor for the formation of a strong macroeconomic buffer and reduction of the sensitivity of Azerbaijan's domestic economy towards external shocks.

The increase in reserves led to the maintenance of the continued net investment position of Azerbaijan at an acceptable level.

Link: <http://www.azernews.az/business/66633.html>

Azerbaijan, Japan to sign ICT agreement

An intergovernmental agreement on cooperation in information technologies will be signed between Azerbaijan and Japan in the near future.

The news was announced by Azerbaijani Communication and High Technologies Ministry.

The issue of developing bilateral relations between the countries was discussed at a meeting of MCHT minister Ali Abbasov with a Japanese delegation headed by Parliamentary Vice-Minister for Foreign Affairs of Japan Takao Makino.

Makino touched upon the preparatory work carried out by the Working Group on concluding the intergovernmental agreement and stressed the prospects for the identification and development of further areas of cooperation.

It is encouraging that Japanese companies are involved in major projects in Azerbaijan in the field of ICT and high technologies, Makino said, expressing confidence in further strengthening of bilateral

relations between the two countries.

Makino noted the importance of reciprocal visits to intensify ties, saying that the visit of Azerbaijani delegation to Japan has played a positive role in the development of a new stage of cooperation in the fields of ICT and high technologies in Azerbaijani-Japanese relations.

He also appreciated the Japanese companies' interest in the high technologies sphere in Azerbaijan.

Abbasov, in turn, noted the mutual interest in the development of bilateral cooperation and favorable opportunities to deepen ties between the two countries, and stressed the continuing positive trends in the development of bilateral ties.

Speaking about new opportunities for expanding and developing the ICT and high technologies sector in Azerbaijani-Japanese relations, he recalled the visit of Azerbaijani delegation to Japan in December last year and the successful meetings held as part of the visit with the heads of Japan Aerospace Exploration Agency, company Mitsubishi, High Technology Center (TEPIA), and other leading companies.

Abbasov spoke about the government's steps for ensuring a liberal market economy, including creating an attractive, free, and favorable business environment to expand opportunities for attracting foreign investors.

Like other countries, Azerbaijan is interested in expanding the activities of Japanese companies in the country, he said, highlighting three main areas in which cooperation can increase: space technology, nanotechnology and microelectronics, and creation of digital infrastructure.

Earlier, Takao Makino discussed bilateral cooperation between the two countries with Azerbaijani Foreign Minister Elmar Mammadyarov.

Link: <http://www.azernews.az/business/66540.html>

Baku to host int'l insurance forum

The 5th Azerbaijan International Insurance forum will take place in June, AzerTag state news agency reported.

The forum organized by the Azerbaijan Insurers Association, will focus on a wide range of issues, including agricultural insurance, insurance against catastrophic risks, reinsurance, health insurance as well as damage control in car insurance.

The forum will also discuss the insurance market of Azerbaijan in 2013-2014, investment opportunities in the insurance market of the Caucasus and the use of green card in the Caucasus region. The forum is expected to bring together more than 250 foreign and local insurers.

Link: <http://www.azernews.az/business/66505.html>

Azerbaijan-Georgia-Turkey Energy Bridge to start power interchange before 2016

Power transmission within the Azerbaijan-Georgia-Turkey Energy Bridge can start in 2014-2015.

"The power interchange within this energy bridge will start following the completion of commercial talks and settling all the legal issues," Deputy Energy Minister Natig Abbasov told Trend Agency.

He further said Georgia will act as a transit country, and will also export the electricity.

"Azerbaijan, in turn, will be able to repay Turkey for the delivery of electricity to Nakhchivan Autonomous Republic, and then will be able to enter the European market," Abbasov added.

He said such a scheme of repaying energy debt to Turkey will allow full load of Azerbaijan's generating capacities, which will further improve the efficiency of electricity production in the country.

Back in early 2013, Azerenergy JSC which is engaged in production and distribution of electricity in Azerbaijan said a number of electric power facilities were reconstructed in the country as part of the Azerbaijan-Georgia-Turkey Power Bridge Project.

In particular, work on the full reconstruction of the Mukhranis-Veli 500-kV overhead line to a length of 150 km, has been completed. Installation of the third 400-megawatt autotransformer at the 500-kV Absheron substation and reconstruction of a 300-kilovolt open distribution facility have also been completed.

Current capacity of Azerbaijan's power system is 6,450 megawatts.

Link: <http://www.azernews.az/business/66485.html>

BULGARIA



Bulgaria's Budget Has BGN 874 M Deficit

Bulgaria's state budget accumulated BGN 874 M deficit in Q1 2014.

According to estimates, this is about one half of the calculated deficit of BGN 1.5 B for the entire year.

It is by BGN 76 M more than in Q1 of 2013 and, according to the Finance Ministry, was due to increased expenses for pensions and European programs.

At the same time, the fiscal reserve as of end of Q1 2014, has reached BGN 5.9 B. For comparison, in the same period of 2013, it was BGN 4.2 B.

Link:

<http://www.novinite.com/articles/160222/Bulgaria%E2%80%99s+Budget+Has+BGN+874+M+Deficit>

Bulgarian Declares Impressive BGN 13.6M Income in 2013

A 61-year-old Bulgarian has declared an income of BGN 13.6M for 2013 from property sales, the National Revenue Agency informed.

April 30 is the deadline for submitting of annual tax declarations for 2013. The fine for those who fail to file the statements on time can reach BGN 500.

A total of 40 % of all declarations were filed by mail or over the internet. Some 17% of declarations were submitted online, NovaTv informs.

Interest is charged on delayed tax declarations meaning that the fines will increase on a daily basis.

Link:

<http://www.novinite.com/articles/160212/Bulgarian+Declares+Impressive+BGN+13.6M+Income+in+2013>

Bulgaria's Electricity Production, Deliveries Increase in February

In February 2014, a monthly decrease of 22.2% is recorded for the production of solid fuels, the latest data on production and deliveries of energy products showed.

Unleaded motor gasoline production dropped by 12.4% to 120 thousand tonnes, transport diesel – by 7.5% to 123 thousand tonnes, natural gas – by 18.2% to 18 million standard cubic meters, electricity – by 9.2% to 4260 Gwh, Bulgaria's National Statistical Institute informs.

No change is reported for the production of liquefied petroleum gases. In February 2014 compared to February 2013 an increase is reported for the production of solid fuels – by 13.0%, electricity – by

10.5%. A decrease is reported for the production of unleaded motor gasoline – by 9.8%, transport diesel – by 21.2%, natural gas - by 18.2%.

No change is reported for the production of liquefied petroleum gases. In February 2014 compared to January 2014 an increase is reported for the deliveries of unleaded motor gasoline – by 10.3% to 32 thousand tonnes, transport diesel - by 30.6% to 141 thousand tones.

A decrease is reported for the deliveries of solid fuels – by 21.2% to 3066 thousand tonnes liquefied petroleum gases – by 33.3% to 22thousand tonnes, natural gas – by 16.7% to 295million standard cubic meters, electricity – by 5.5% to 3271 Gwh.

In February 2014 compared to February 2013 an increase is reported for the deliveries of solid fuels – by 16.9%, transport diesel – by 54.9%, electricity – by 3.4%. A decrease is reported for the deliveries of liquefied petroleum gases – by 21.4%, unleaded motor gasoline – by 20.0%, natural gas – by 9.0%.

Link:

<http://www.novinite.com/articles/160202/Bulgaria%27s+Electricity+Production%2C+Deliveries+Increase+in+February>

Bulgaria Posts Record Trade Turnover with Germany

Bulgaria's trade with Germany was EUR 5.3 B in 2013, an unprecedented amount for the last 24 years, according to data published Wednesday.

Exports to Germany have also surpassed imports to Bulgaria for the first time since the two states established bilateral relations.

Further investment into Bulgaria could however be hindered by the country's low ranking in "both professional and academic education", by the "ineffective public governance, weak legal system, opacity of public procurement and lack of reforms in education", factors which are harmful to the business environment, as Mitko Vasilev, head of the German-Bulgarian Chamber of Industry and Commerce, was quoted as saying by the Bulgarian National Radio.

Vasilev argued it was German investors that mainly contributed to the positive results for 2013.

Jorg Solfelner, who presides over the Energy Council with the Chamber, also reminded Bulgaria lagged behind its European partners in terms of risks to business activity, being last despite law amendments adopted "nearly every month" which Solfelner considers "positive" developments.

Link:

<http://www.novinite.com/articles/160195/Bulgaria+Posts+Record+Trade+Turnover+with+Germany>

Bulgarian Development Bank, China Exim Bank Sign Cooperation Agreement

Bulgarian Development Bank and The Export-Import Bank of China signed a cooperation agreement for investments promotion for Chinese and Bulgarian companies, Wednesday.

The agreement was signed in Beijing during the visit of the Bulgarian delegation to China, led by the Deputy Minister of Economy and Energy Krasin Dimitrov, the Ministry of Economy and Energy informed.

The agreement will help attract Chinese investments to Bulgaria and will provide an opportunity for the implementation of future joint projects in sectors important for Bulgaria, such as electronics,

engineering, agriculture, food processing, automotive industry, Deputy Minister Dimitrov said at the signing of the agreement.

Bulgarian Development Bank's Executive Director Ivan Hristov highlighted the importance of such a contract. "It is very important to establish cooperation with the Chinese Exim Bank not only in terms of joint project funding, but also to draw on their extensive experience and practice," Hristov said.

The Export-Import Bank of China (China Exim Bank) was established in 1994 and is chartered to implement the state policies in industry, foreign trade, diplomacy, economy, and provide policy financial support so as to promote the export of Chinese products and services.

Link:

<http://www.novinite.com/articles/160193/Bulgarian+Development+Bank%2C+China+Exim+Bank+Sign+Cooperation+Agreement>

Interest Rates on Consumer Loans Increased in March – BNB

Interest rates on deposits for the businesses are on the rise, according to the latest data of the Bulgarian National Bank.

For business loans up to BGN 1M, the average interest rate in BGN increased by 0.21% in March 2014 to 7.11%, but those in EUR dropped by 0.25% to 6.52%. For business loans over EUR 1M, the average interest rate increased by 0.53 percentage points to 6.53% in BGN and by 0.51 percentage points to 7.67% for those in EUR.

In March 2014, the average interest rate on BGN overnight deposits declined by 0.04% to 0.29% and on EUR overnight deposits—by 0.04% to 0.25%. On an annual basis, the average interest rate on BGN overnight deposits declined by 0.01% to 0.68% in March.

In March 2014, compared to March 2013, the average interest rate on BGN consumer loans increased by 0.46% to 11.60% and on those in EUR – by 0.04% to 9.33%. It declined by 0.32% to 6.64% on BGN loans for house purchases and on those in EUR – by 0.22% to 7.09%. The average interest rate on BGN loans for house purchases decreased by 0.20% and that on EUR loans for house purchases – by 0.29%.

Link:

<http://www.novinite.com/articles/160190/Interest+Rates+on+Consumer+Loans+Increased+in+March+%E2%80%93+BNB>

Bulgaria's Business Climate Records Slight Increase in April

In April the total business climate indicator in Bulgaria increased by 1.7% which is due to the improved business climate in industry, construction and retail trade.

The composite indicator "business climate in industry" increased by 1.4% in comparison with March due to the more favorable industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months, as Bulgaria's National Statistical Institute data revealed.

According to the businesses, the present production activity is preserved, and in the expectations about the activity in the branch over the next months some optimism has been observed, but it is more moderate compared to the previous inquiry.

The average capacity utilization in April is by 1.3% below in January level and it reaches 69.5%. The enterprises report a surplus of capacity with regard to the expected demand over the next months. The uncertain economic environment and insufficient domestic demand remain the main obstacles for the

business development in the branch, pointed out respectively by 53.6% and 44.3% of the managers.

Concerning the selling prices in industry the inquiry reports certain expectations for an increase over the next 3 months.

In April the composite indicator "business climate in construction" increases by 6.8% which is due to the optimistic construction entrepreneurs' assessments and expectations about the business situation of the enterprises.

In their opinion the present construction activity is improved, as their prognoses over the next 3 months remain favorable. The production is assured with contracts for a longer time period in comparison with 3 months earlier-5.2 months against 4.8 in January.

At the same time the managers' expectations concerning the new orders over the next 6 months are improved. The main factors limiting the business development in the branch continue to be connected with the uncertain economic environment, financial problems and competition in the branch. As regards the selling prices in the construction the majority of the managers expect them to remain unchanged over the next 3 months.

The composite indicator "business climate in retail trade" increases by 0.8% compared to the previous month due to the improved retailers' expectations about the business situation of the enterprises over the next 6 months. However their forecasts concerning the volume of sales and orders placed with suppliers over the next 3 months are more moderate. The uncertain economic environment, insufficient demand and competition in the branch remain the main factors limiting the activity of the enterprises. The retailers' expectations about the selling prices in the branch are for preservation of their level over the next 3 months.

In April the composite indicator "business climate in service sector" decreases by 1.8% due to the more unfavorable managers' assessments about the present business situation of the enterprises. However they remain optimistic in prognoses about the development of the business, as their expectations about the demand for services over the next 3 months continue to improve. The main factor limiting the activity in the branch remains the uncertain economic environment followed by competition in the branch and insufficient demand. Concerning the selling prices the prevailing managers' expectations are for them to remain unchanged over the next 3 months.

Link:

<http://www.novinite.com/articles/160173/Bulgaria%27s+Business+Climate+Records+Slight+Increase+in+April>

EU 'to Extend' Southern Gas Corridor from Azerbaijan

EU 'to Extend' Southern Gas Corridor from Azerbaijan Bulgaria was offered to join the Southern Gas Corridor, but later opted for the South Stream and Burgas Alexandroupoulos to withdraw from the latter in a few years's time.

The EU would extend the route for supplies through the Southern Gas Corridor and its pipes will make their way further into Europe's mainland, according to reports.

Russia's Vedomosti, which cites sources from the European Commission, suggests that pipes could lead into France and Spain and this could increase the amount of Azerbaijani gas received from the Union.

According to the same EC representative, the prospects of importing from Turkmenistan and Iran are also on the agenda.

A total of EUR 5.8 B will be put aside for the new plans, which could virtually turn the Southern Gas Corridor into Europe's top priority project.

The Corridor envisages that a pipeline system called TANAP-TAP should be built from Azerbaijan's Shah Deniz deposits to Georgia and Turkey and further to Greece, Albania and Italy.

About 6 B cubic meters of gas could be thus pumped into Turkey every year, while Europe could receive up to 10 B cubic meters. (Present Russian-originated deliveries amount to over 160 B a year).

Construction is scheduled to be complete by 2019.

The EU is currently looking into ways to reduce its energy dependence from Russia and is considering whether to abandon the South Stream project, which would favour the status quo.

Turkey, at the same time, has recently reiterated its strong commitment to carrying out the TANAP-TAP, while also suggesting Bulgaria might become involved if it wishes to do so.

Spain's Foreign Minister Manuel Garcia-Margallo suggested earlier in April his country might take part in the Southern Corridor. Margallo was quoted by La Vanguardia as saying that Spain and Azerbaijan were situated "on the central spots of this Southern Corridor that would carry energy from this part of the world [Azerbaijan] to the EU," while on a visit to Baku.

In 2013, France signed for its part a contract for gas deliveries from Azerbaijan amounting to 2.6 B cubic meters. Poland said it could also consider supplies from the Caucasian state.

Link:

<http://www.novinite.com/articles/160147/EU+%27to+Extend%27+Southern+Gas+Corridor+from+Azerbaijan>

Gazprom: Construction of South Stream in Bulgaria Starts in Summer

The construction of the ground stretch of the South Stream pipeline in Bulgaria and Serbia starts in July, said Gazprom head Alexey Miller.

According to a statement, published in the Russian-language section of Gazprom's website, in Bulgaria soon will be signed a contract for delivery of materials and equipment, construction and staff training.

“Today only South Stream can give to Europe real guarantees for energy security,” Miller said.

According to him, in the autumn will start the construction of the sea stretch and the first natural gas will be delivered through the pipeline in the end of 2015.

Meanwhile, the EU continues to criticise Bulgaria on its firm intentions to implement South Stream, in spite the official EU position that it should be stopped and warned that if the project violates the EU law, there will be sanctions.

“The European Commission is concerned that the amendments to Bulgarian energy law do not comply with the rules of the internal EU market, mostly for the exclusion of the so-called sea pipelines from key European regulations,” said Sabine Berger, spokesperson of the European Energy Commissioner Gunther Oettinger on Friday. “The Commission expects that Bulgaria does not pass laws in violation of EU norms. If South Stream is built or operates in violation of EU law, there will be sanctions.”

Link:

<http://www.novinite.com/articles/160108/Gazprom%3A+Construction+of+South+Stream+in+Bulgaria+Starts+in+Summer>

Bulgarians Saved BGN 856 M in Q1 2014

Bulgarian households saved BGN 856 M in the first quarter of this year, shows data of the Central Bank (BNB).

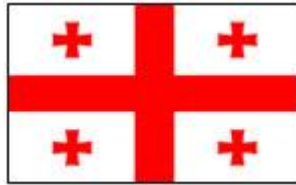
Compared to Q1 2013, the savings increased by 29.7%. Broken down by months, in January the people put BGN 650 M in the banks, in February – BGN 114 M and in March – BGN 92 M.

BNB data shows that the private consumption and the business investment activities slowly recover.

In Q1 2014 the business credits have posted an increase.

Link: <http://www.novinite.com/articles/160103/Bulgarians+Saved+BGN+856+M+in+Q1+2014>

GEORGIA



MIA Service Agency announced tender of 9 032 320 GEL for vehicle purchase

MIA Service Agency plans to purchase 160 special vehicles, for which announced tender of 9 032 320 GEL.

The tender document indicates that the institution will purchase transport and regulated service tickets.

Total ownership cost of each Sedan special vehicle should not exceed to 56 452 GEL, among them car price should not exceed to 49 298 GEL, service ticket cost - 7154 GEL.

Regulated service ticket means full technical service of the offered vehicle during full guarantee period. The guarantee period should be at least 200 000 km or 3 years from the day of vehicle supply (whichever comes sooner). This guarantee should include principal aggregates of the vehicle, also electronic devices and electronic wirings.

Deadline for tender application submission to the electronic tender expires on May 19, at 14:00.

Link: http://bpi.ge/en/index.php?option=com_content&view=article&id=17983%3Aamia-service-agency-announced-tender-of-9-032-320-gel-for-vehicle-purchase&catid=49%3A2011-11-06-16-56-03&Itemid=1

Annual Inflation 3.4% in April

Annual inflation was 3.4% in April, slightly down from 3.5% in March, according to the state statistics office, Geostat.

On monthly basis inflation stood at 0.3% in April.

Annual inflation rate was driven mainly by increasing prices on food, which rose by 7.6% y/y, as well as on alcoholic beverages and cigarettes, which rose by 6.8% y/y in April. Prices on healthcare services increased 4.3% y/y, according to Geostat.

Link: <http://www.civil.ge/eng/article.php?id=27195>

Number of Georgian population equals to 4 490 500 persons

Number of Georgian population equals to 4 490 500 persons. By January 1, 2014 53,7% of the country's population (2 411.7 thousand persons) live in the urban areas, 46.3% (2 078.8 thousand person) - the rural areas.

According to official data, in 2013 number of emigrants increased by 5% and equaled to 95 064 persons. Meanwhile, number of immigrants increased by 25%. 92 458 immigrants have been registered in the country.

Migration balance (difference of the number of emigrants and immigrants) equaled to negative -2 606 units in 2013.

By January 1, 2014 47.7% of the population (2 141.4 thousand) are male, 52.3% (2 349.1 thousand) - female.

Link: http://bpi.ge/en/index.php?option=com_content&view=article&id=17966%3Anumber-of-georgian-population-equals-to-4-490-500-persons&catid=49%3A2011-11-06-16-56-03&Itemid=1

2014 First-quarter Economic Growth Slowed to 7.4%

According to "Sakstat" preliminary estimates, in March 2014 economic growth rate amounted to 8.3 % compared to the corresponding period of the previous year, while in the first quarter of 2014 the average real growth was 7.4 %.

The Statistics Office states that the National Statistics Office conducts monthly pre- assessments of economic growth from January 2012. They say, in those areas where, for example in agriculture, a volume of non-observed economy is not present, the estimations are based on data for previous periods.

Accordingly, the actual calculation may significantly differ from the preliminary estimates. In addition, turnover of VAT taxpayers for the previous months may be corrected every month, which causes correction of the preliminary monthly estimates of the actual growth.

Link: http://bpi.ge/en/index.php?option=com_content&view=article&id=17974%3A2014-first-quarter-economic-growth-slowed-to-7.4&catid=920%3A2011-11-06-16-35-52&Itemid=1

Georgian National Currency Started Depreciation Again

GEL exchange rate has again embarked on the path of depreciation. The National Bank set the exchange rate at the level of 1.7711 GEL for 1 USD. Georgian currency fell sharply in relation to Euro and set at 2.4505 GFEL for 1 Euro. According to "Rezonansi" daily, the government promises turned out to be empty.

Recently, when the exchange rate against USD was 1,73-1,74 GEL , President of the National Bank announced that all of the factors that influenced the depreciation of the Georgian national currency run out.

"The short-term forecast of the exchange rate is a thankless task. It is even impossible because along with economic factors, the expectation also affects it. As for the medium-term forecasts, purely economic factors which had an impact on GEL depreciation are exhausted or very close to it.

Since we do not have fundamental imbalance problem, the appreciation pressure on the exchange rate will take place in the medium term, "- then Kadagidze said , adding that there would be floating exchange rate in the short-term. "This means that GEL will fluctuate both in the appreciation and depreciation direction. This is a small amplitude tend, "- Kadagidze said.

In March, 1 USD equaled to 1.73 GEL for a few days, even, however, the rate varied within 1.74 GEL . A new wave of depreciation began in mid- April. Since then the national currency has been plummeting both against the dollar and the euro on a daily basis.

Banking expert Gocha Tutberidze explains depreciation of the national currency by a large amount of the national currency in the market and deterioration in the balance of payments.

Expert Giorgi Abashishvili does not consider exchange rate fluctuations a serious problem at this stage. According to him, if there was a risk, the NBG would take measures , even in terms of the increase in the refinancing rate.

He believes that a large number of refinancing loans would not affect significantly the depreciation of the exchange rate. The fact that the central bank has not increased the monetary policy rate points to this.

The Association of Young Economists of Georgia makes very different assessments. According to a representative of the Association Giorgi Tsimintia, the depreciation of the national currency is due to the artificial increase in the money supply.

"The Ministry of Finance does this in order to get maximum amount of GEL from the borrowed dollars, which in turn will lead to increased revenues. GEL depreciation creates additional problems for entrepreneurs who take bank loans in dollars, then as a result of transactions, receive income in national currency, then buy dollars again and thus return the loan at more disadvantageous exchange rate.Sometimes it even leads to the bankruptcy of companies,"- said the expert.

Link: http://bpi.ge/en/index.php?option=com_content&view=article&id=17980%3Ageorgian-national-currency-started-depreciation-again&catid=49%3A2011-11-06-16-56-03&Itemid=1

GREECE



Tourism in Greece beats competition

Greece has in the first months of the year recorded far greater growth rates in foreign tourism arrivals and in travel revenues than its direct competitors in the region, according to official data.

Civil Aviation Authority figures suggest an 11.8 percent yearly rise in air arrivals from abroad in the first quarter of the year to 980,432, while even domestic arrivals have grown by 1.7 percent to 945,715.

Travel revenues in January-February grew 17.3 percent year-on-year to 294.1 million euros, according to Bank of Greece data.

Spain witnessed a 7.2 percent rise in Q1 arrivals from abroad and revenues in the same period grew 8.1 percent.

Turkey had a 3.2 percent rise in foreign visitors in January-March with revenues growing by 11.1 percent.

Link: http://www.ekathimerini.com/4dcgi/w_articles_wsite2_1_02/05/2014_539407

Factories in Greece Show Rise in Manufacturing Activity

In April, the seasonally adjusted PMI (Purchasing Managers Index) of Markit, closed at 51.1, for the Greek manufacturing sector, a higher rate than the 49.7 points in March.

The index remained above the no-change 50 point stage which separates growth from contraction for the third time so far in 2014.

The rapid growth of production, the many new orders and of course, the re-employments contributed to the increase of the index rate. According to Markit, the increase is an indication of confidence of Greek manufacturers that the recovery of the sector is now more stable.

In other sub-sectors, inventory levels continued to decline significantly and factory prices fell at the fastest pace recorded in about a year.

The data indicated that during April, there was a rise in production levels of Greek manufacturers for the sixth consecutive year and in order to cope with the growing influx of orders and increased production requirements, Greek manufacturers increased employment levels in April, for the first time in six years.

The average market prices remained mostly stable for the month of April, after a slight decline in the previous period of audit.

Factory prices in Greece fell significantly while the data in April suggested a further reduced level of backlog work in the factories of manufacturers operating in Greece.

Link: <http://greece.greekreporter.com/2014/05/02/factories-in-greece-show-rise-in-manufacturing-activity/>

Consumer confidence makes a leap

The consumer confidence index posted a spectacular recovery in Greece in the first quarter of the year, according to a survey conducted by Nielsen in 60 countries. Compared with the last quarter of 2013, the index has risen by as many as eight points to reach 53, which is the highest reading of the last four years.

The rise of the index, says Nielsen Greece Managing Director Vicky Grigoriadou, “likely reflects the optimism of consumers deriving from two facts: The emergence of a primary budget surplus beyond expectations that allows the government to offer a benefit to the social groups worst hit by the crisis, and the return of Greece to the international bond markets for the first time after four years.”

Despite the rise in confidence, job security remains the top concern for 52 percent of respondents.

Link: http://www.ekathimerini.com/4dcgi/ w articles wsite2_1_01/05/2014_539380

American Entrepreneurs Visit Athens to Connect with Greek Counterparts

The U.S. Department of State Global Entrepreneurship Program (GEP) and the U.S. Embassy in Athens have organized a high-profile entrepreneurship delegation to visit Greece April 28-30, 2014.

“The United States supports Greece’s efforts to reform, restructure and open its economy,” wrote the U.S. Embassy in Athens in a press release.

“Development of a supportive entrepreneurial ecosystem will be a vital element of these reforms and can contribute strongly to Greece’s economic recovery.”

The 13-member, State Department-led U.S. delegation will include prominent, highly successful U.S. entrepreneurs and investors in the technology, finance, marketing, real estate and gourmet food industries.

The delegation will meet with senior Greek private and public sector officials to discuss key entrepreneurial opportunities and challenges in Greece. Delegation members will also meet one-on-one with many Greek local entrepreneurs to learn about their businesses, provide mentoring on successful entrepreneurship in a challenging business environment, and establish lasting business-to-business connections.

The event featured successful Greek and Greek-American entrepreneurs, including Silicon Valley-based technology investors, sharing experiences and strategies which can benefit Greeks who seek to become entrepreneurs. The discussion will highlight the critical importance of entrepreneurship to Greece’s future growth and prosperity.

Link: <http://greece.greekreporter.com/2014/04/29/american-entrepreneurs-visit-athens-to-connect-with-greek-counterparts/>

Volunteers Help Set Up Urban Garden in Thessaloniki

A French-based group of volunteer gardeners from all over Europe visited Thessaloniki in Greece this Sunday, in order to help in the development of urban gardens within the city.

The initiative of urban planting is expected to help Thessaloniki's residents who were most affected by the Greek economic crisis. When the crisis first hit the country four years ago, many people were left unemployed and forced to turn to urban planting. They would use open spaces that were vacant due to the drop in real estate prices, to plant vegetables.

The European volunteer group includes people from seven countries who are trying to promote seed variety in various countries around the continent.

On Sunday, upon their arrival in Thessaloniki the volunteers visited an abandoned army base which Greeks have started using for farming.

Link: <http://greece.greekreporter.com/2014/04/28/volunteers-help-set-up-urban-garden-in-thessaloniki/>

MOLDOVA



Moldova exempted from EU visa requirements

European Union has abolished the visa regime for citizens of Moldova holding a biometric passport. The decision went into force on Monday, April 28.

Negotiations for visa abolishment lasted for almost four years, Moldova becoming the first country of the Eastern Partnership to get visa waiver. Citizens of Moldova are allowed to stay in EU and Schengen zone (except the UK and Ireland) up to 90 days in any 180-day period. These stays do not allow them to seek work.

EU Commissioner for Home Affairs Cecilia Malmström said that visa-free travels will ease people-to-people contacts and enhance relations between Moldova and the European Union.

“I am extremely pleased that visa free travel has become a reality for the citizens of the Republic of Moldova with a biometric passport, who want to travel to the Schengen zone for short-stays,” Ms. Malmström said. “This decision will further facilitate people-to-people contacts and strengthen business, social and cultural ties between the European Union and Moldova.”

A historic day

leanca_corman_tapiola_fara_vizePremier Leanca delivering a speech before taking off visa-free to AthensPrime Minister of Moldova Iurie Leanca said that visa liberalization is a “victory” of the entire nation, adding that April 28 is a “historic day for the Republic of Moldova” because it brings more freedom.

“Visa abolishment is far from being a dead-end; on the contrary, it is the continuation of our way home, in Europe,” Premier Leanca said.

The Head of the EU Delegation to Moldova Pirkka Tapiola congratulated the Moldovan government for its achievement.

“I also want to congratulate the government of the Republic of Moldova for successfully implementing reforms,” Mr. Tapiola said. “I have to underline that when crossing the border, citizens of Moldova will not be asked to provide more documents than other countries which benefit from the visa-free travel regime.”

Romanian MEP Monica Macovei, who is the Chair of the Delegation to the EU-Moldova Parliamentary Cooperation Committee, was in Chisinau on the day when EU lifted visa requirements for Moldova. She said she was happy and excited to be there during such a “historic moment for the Republic of Moldova.”

“Today barriers collapse; today are opened new roads in people’s lives,” MEP Macovei said.

Moldovans test visa-free travels

According to border authorities, from 00:00 AM until 12:00 PM, more than 700 Moldovans crossed the border with Romania with their biometric passports.

Early in the morning, a delegation comprising high level politicians, including Premier Iurie Leanca, Foreign Minister Natalia Gherman, Head of EU Delegation Pirkka Tapiola, MEP Monica Macovei, 25 students, five Olympics, 20 Moldovans with relatives in EU and 30 journalists travelled to Athens, Greece in the so-called “Visa-free in EU” event.

The government sought to test by itself the visa abolishment, choosing to travel to Greece as the country currently holds the Presidency of the EU.

Several pro-EU political parties will mark the event by organizing concerts in the Central Squares from Chisinau and Balti. Prominent domestic and foreign artists will sing on the stage. Banners with invitations to attend the event were installed by political parties in front of the government.

Link: <http://www.moldova.org/moldova-exempted-eu-visa-requirements/>

Demand for biometric passports increased by 60% in Moldova as EU lifts visas

As the European Union will lift Monday visa requirements for Moldovan citizens holding biometric passports, Moldovans rush for such travel documents. Authorities reported an increase by 60% in requests of biometric passports.

The Centre for State Information Resources “Registru,” which is the body in charge with issuing travel documents, is able to issue up to 4,000 documents daily.

Upon receiving the passport, the holder will also get a booklet with information about the visa-free travel in EU.

“Moldovan travel documents meet all European demands and have a higher degree of safety,” said Vitalie Tarlev, Deputy Minister of Information Technology and Communication.

In order to avoid queues, the documentation offices based in Chisinau, Balti and Comrat will provide services on a special program, including on weekends. Furthermore, applicants can see online whether any queues are reported at these bureaus. People will also be able to apply for a passport at any office, regardless of their residence.

According to the information presented, up to date roughly 900,000 citizens of Moldova hold biometric passports. Over 50,000 residents of the Transnistrian region hold such travel documents.

Link: <http://www.moldova.org/demand-biometric-passports-increased-60-moldova-eu-lifts-visas/>

Gross Agricultural Production in Moldova in I Quarter 2014 Increased by 7.4%.

the increase in agricultural production in this period was due to the growth of the livestock production by 7.4 %, which accounted for 99% of the total agricultural production. According to NBS, in January-March 2014 , compared with the same period last year , raising livestock and poultry (live weight) in

all categories of farms grew by 11.7% - to 32.7 thousand tons due to the increased production of poultry - by 16.7% , pigs - by 10.4% , cattle - by 3.3% , sheep and goats - by 2.4%.

At the same time, growing livestock and poultry farms has increased production by 20.5% - up to 14.3 thousand tons, and households – by 5.3% - up to 18.4 thousand tons. Cow milk production in I quarter 2014 increased by 3.7% - up to 76.9 thousand tons due to the growth in number of cows by 11% and increase in their productivity by 32 %.

Production of milk in the households showed the increase by 1.8% - up to 72.2 thousand tons due to the improved performance of cows by 5%. In January-March 2014 egg production in Moldova fell by 7.4% - up to 104.3 million. In the households it increased by 8.1% - up to 40.9 million.

Link:

http://infomarket.md/en/agriculture/Gross_agricultural_production_in_Moldova_in_I_quarter_2014_increased_by_74

Romanians, Russians are top tourists in Moldova

Over 271,500 tourists have been hosted by the Moldovan accommodation facilities in 2013. About 64.8% were Moldovan tourists, while 35.2% (95,600) were foreign nationals, the National Bureau of Statistics reported.

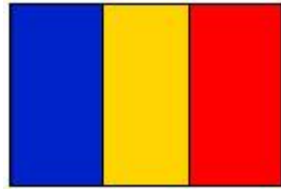
There is an increase by 1.2% in comparison to 2012. This is reasoned by the increase in number of tourists staying in hostels (8.9%), hotels and motels (6.0%), healthcare structures (2.9%) and holiday camps for children (1.1%).

According to the number of nights stayed in shared accommodation facilities, most of the tourists originated from Romania (22%). They were followed by Russians (11.5%), Ukraine (9.7%), Germany (6.2%), Italy (5.3%), the USA (4.9%), Turkey (4.8%), Poland (2.8%), Great Britain (2.7%), France (2.4%) and others.

The data does not include the hosting in the accommodation facilities located in the Transnistrian region.

Link: <http://www.moldova.org/romanians-russians-top-tourists-moldova/>

ROMANIA



Romanian government to fight undeclared work and tax evasion

In March, the Romanian government pledged to start a series of controls to root out cases of undeclared work and tax evasion, as part of a pilot project. A few days ago, the start of the project was announced for May 1. A state aid framework that will subsidize salaries at firms that generate at least 20 jobs was also adopted.

With the stated target of preventing and eradicating undeclared/under-declared labor, supporting good-faith competition in business and protecting employees by enhancing social security, the National Agency for Fiscal Administration (ANAF) will start to rollout the project, based on its commitments to the European Union and the International Monetary Fund, according to institution officials.

The scheme to tackle black market labor, which will start on May 1, will cover a significant share of companies in Ploiesti and Brasov.

ANAF has called upon employers to ensure they comply with the stipulations in the Labor Code, Fiscal Code and Fiscal Procedure Code within 90 days of the start of the scheme.

The controls will target mainly the companies most prone to avoiding social contributions, health contributions and income taxes.

The campaigns from the Labor Inspectorate are “not always well received in the market,” Marilena Balabuti, deputy chief inspector in the Labor Inspection Office (ITM), tells BR, “since the exercising of authority by the state is rejected by those that are subject to it.”

Based on the results, ANAF will expand this scheme to the entire country from January 1, 2015.

The issue of informal work is not unknown to Romanian authorities, which recognize it as problem.

Companies that are most prone to hiring people without papers are mainly active in construction, services, and trade and security services, Balabuti tells BR. Campaigns to eradicate this phenomenon have been carried out by authorities targeting these categories of firms.

Anca Grigorescu, partner and coordinator of the labor law and benefits department, and Cristina Randjak, senior coordinating attorney at bpv Grigorescu Stefanica, tell BR that under-the-table labor is “a reason for concern” in Romania, since official data show that approximately 1 million people are working on the black market. “Informal work takes place at companies of all sizes. Most undocumented employees work for small companies, but Romania is confronted with undeclared labor even in large companies, with more than 100 employees,” the two attorneys tell BR.

The measures taken by the authorities should mainly focus on the reasons why companies hire people without papers. Balabuti thinks that by removing the causes, the effects can also be eradicated.

“Work on the black market is the effect of multiple reasons such as taxation, force of habit, workers’ lack of information about the benefits of individual labor contracts, and employers’ fear of assuming the obligations stipulated in such contracts,” she outlines.

The labor authorities are also attempting to send warning signals across all channels about the negative

effects of informal labor, by looking at the taxation and reducing the red tape in this field, explains Balabuti.

Under the Labor Code, an individual labor contract is signed with the consent of both parties. It must be drafted in writing in Romanian, and is the responsibility of the employer. Before the employee starts work, the contract should be registered with the relevant authorities and the employee should receive a copy.

Balabuti points out that the Labor Code makes it illegal to employ up to five people without signing individual labor contracts. Penalties range between RON 10,000 and RON 20,000 for each identified informal worker.

The bpv Grigorescu Stefanica attorneys questioned by BR say an initiative is underway to modify the Labor Code's penalties for informal labor. Instead of the above-mentioned fines, the bill aims to impose penalties of RON 5,000, plus the total sum of the taxes and contributions that the employer should have paid over the previous year, had the informal worker been hired legally, on minimum wage. An employer who flouts the law should pay these contributions as well.

There is, however, a series of steps that the Romanian authorities could take to tackle the phenomenon of informal labor. Asked by BR, Catalin Micu, managing associate at Zamfirescu Racoti & Partners, suggests the law could be changed to give tax breaks to employers who hire a minimum number of people, so the taxes payable by the employer would fall, proportionally, as more staff members were taken on.

Other measures would be to extend the use of temporary contracts and make it easier for employers to end individual labor contracts unilaterally for economic or operational reasons, with the dismissed employee given several months' pay in compensation, suggests Micu.

To crack down on informal labor and encourage employment, a government plan to subsidize salaries at firms that generate a minimum of 20 jobs was approved last Wednesday. The support will be provided for two years.

According to government officials, the new state aid scheme will grant non-reimbursable financing, which will cover salary costs (not exceeding the level of the gross average salary) over a period of two consecutive years, where at least 20 new jobs are created through an initial investment. The financing agreements through this framework can be issued until the end of 2020, and the de minimis payments will be made over 2015-2025, within the allocated budget.

"For companies that create at least 20 jobs, the state will pay half of the total value of salary expenses. We are not talking about reducing taxes or social contribution, but half of everything that is commonly called a salary," said PM Victor Ponta.

The state first announced the measure at the beginning of February.

"2014 does not look set to be a year of major modifications to the labor legislation. However, there are now several draft bills to modify the Labor Code on the agenda of the two chambers of Parliament. Examples include bills to establish new legal holidays, and to modify individual labor contracts in the public sector, the rights of temporary employees and the maximum length of individual temporary labor contracts, which have been subject to interpretation since 2011," said Grigorescu and Randjak.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192616>

Vast majority of businesses in Romania are controlled from abroad

Only 5,600 groups of companies were locally-owned in Romania in 2012, while the number of

multinational groups was six times higher, according to data from the National Statistics Institute INS. About 31,000 groups were controlled by companies from abroad, stats show.

“In 2012, 37,407 groups of companies were identified, out of which 5,689 were resident groups and 31,718 represented groups of multinational companies (102 controlled from inside the country and 31,616 controlled from abroad)”, according to a press release from INS.

Locally-owned groups are very small, mostly made up of two or three firms (90 percent of holdings) and more than likely have business in retail, manufacturing or constructions.

In terms of number of employees, the majority of the holdings in Romania are controlled by German shareholders – 18 percent, followed by Italian – 10 percent, and Dutch – 10 percent.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192606>

Romania will export gas to Moldova this year

Moldova's prime minister says neighboring Romania will export gas to his country this year, reducing the former Soviet republic's dependence on Russia for gas.

Iurie Leanca said: "We will have better tariffs. This means we will see diversity and energetic security." He attended an event Tuesday on the Romanian border with Romanian Prime Minister Victor Ponta.

Initially, the gas will be pumped to an area in southern Moldova by the end of August.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192568>

Romania's largest State fund signs new 2-year management contract

FP shareholders approved the new two-year management contract for Franklin Templeton starting on September 30, 2014, with early termination provisions. The new agreement includes two criteria that have to be simultaneously met by the middle of the coming year: 1) a trading discount to the official NAV per share of a maximum of 15% for at least two-thirds of the trading sessions in the period October 1, 2014 - June 30, 2015; and 2) an adjusted NAV per share as of the end of June 2015 higher than the NAV/share value of RON 1.16 from end-September, 2013 (the adjusted NAV will count any cash return to shareholders following eventual share capital reductions). If either of the two performance criteria is not met, shareholders may terminate the mandate.

We consider the most efficient tool for meeting the 15% discount target to be the effective implementation of the cash distribution policy, on the back of share capital reduction, which is contingent upon the approval of the Financial Supervisory Authority (FSA).

Separately, representatives of Franklin Templeton stated that, regarding the Electrica IPOs, there are two strategies targeted for FP holdings in three majority-owned state-owned power distribution grids and in a supply company. Electrica is a holding company that is majority shareholder in three distribution grids and a supply company in which FP is a minority shareholder. The first solution analyzed by Franklin Templeton is an equity swap, with the fund receiving new Electrica shares issued in an IPO in exchange for its minority stakes in the four Electrica subsidiaries. The second solution is an exit post IPO from the four Electrica subsidiaries, which would be financed by the amount raised in the IPO. According to our valuation, the fair value of Electrica would be EUR 570mn, while an IPO would mean issuing new shares equivalent to 51% of the increased share capital.

The listing of Electrica will be the only major IPO on the Romanian equity market in 2014, with a value that we estimate at around EUR 300mn. This listing would have a positive impact on the fund's portfolio

liquidity, increasing the weight of listed shares from 60% of the total value of assets towards 65%. According to the fund manager, lignite-fired power plant CE Oltenia is not eligible for listing, while Franklin Templeton is lobbying for the listing of another three companies, Aeroporturi Bucuresti, Administratia Porturilor Maritime and Salrom.

Finally, FP repurchased in the period April 22 to April 25 a total of 9.4mn shares at an average price of RON 0.809/share, with the transactions totaling RON 7.6mn. The repurchases are part of the third buyback program for 252.8mn shares, out of which 46.6mn shares have been purchased since the start of the program.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192503>

Romania will soon bring new modifications for protections of citizens abroad

Romanian authorities will soon bring new modifications to Law 156/2000, which aims to ensure the protection of Romanians who are seeking a job abroad. The law is targeting private labor recruitment agencies that are recruiting staff for other countries.

“We want to strengthen restrictions so that Romanians are better protected from certain labor recruitment agencies. We are trying to impose restrictions so that any person looking for a job abroad will no longer have to pay any kind of commission,” said Camelia Mihalcea, head of International Relations, EURES and Mediation Directorate, National Agency for Employment (ANOFM), during the Business Review event Focus on Employment & HR that took place on April 28.

The categories of professionals that fall prey to flawed recruitment are either highly skilled, such as doctors, IT staff, and other technological professions, or unskilled workers working in fields such as agriculture or constructions.

Link: <http://www.balkans.com/open-news.php?uniquenumber=192495>

Moody’s Improves Romania’s Credit Rating Outlook on Lower Risks

Romania’s credit rating outlook was raised to stable from negative by Moody’s Investors Service (MCO), which cited macroeconomic stability and lower financing risks. The country’s rating was affirmed.

The eastern European country’s long-term government bond rating was maintained at Baa3, the lowest investment grade and on par with Turkey, India and Ireland, Moody’s said in a statement late yesterday.

“Despite a subdued growth outlook and several changes in government, the fiscal deficit was reduced to 2.3 percent of the gross-domestic product,” Moody’s analysts Atsi Sheth and Bart Oosterveld said in the statement. “Moody’s expects this reduction to contribute to a stabilization in government debt ratios, which underpins the return to a stable outlook on the rating.”

Romania, the European Union’s fastest-growing economy in the fourth quarter last year, embarked in one of the bloc’s toughest austerity programs in 2010 by cutting state wages by a quarter and raising value-added tax. While it’s since maintained fiscal rigor under International Monetary Fund guidance, it hasn’t shed its junk rating at Standard & Poor’s.

The yield on the government’s euro-denominated bonds due 2024 fell six basis points, or 0.06 percentage point, to 3.59 percent in Bucharest yesterday, the lowest since the bonds started trading on April 17, according to data compiled by Bloomberg. The leu gained 0.4 percent to 4.4488 per euro yesterday, the biggest gain in more than a month.

Stable Outlook

“Over the medium term, Moody’s expects Romania to continue along the path of income convergence with wealthier EU trading partners, supported by competitive wages and future policy measures to enhance productivity and the operating environment and these developments support a stable outlook on the rating,” Moody’s said in the statement.

Romania’s GDP accelerated to the fastest since 2008 in the fourth quarter of 2013 to 5.4 percent from a year earlier, driven by exports, industry and a bumper harvest.

“Although growth rates are unlikely to return to pre-crisis levels over the next two years, Moody’s expects the current pace of growth to be sustainable as policy efforts support export competitiveness and investment,” according to the statement.

Moody’s may increase Romania’s credit rating once the country shows a pronounced acceleration in GDP growth, an improvement in external debt, lower government financing risks and greater efficiency in the state-owned sector.

The country’s rating may decline if the government reverses fiscal consolidation or the country’s competitiveness declines. Also a worsening of the balance of payments may push the rating down, Moody’s said.

Link: <http://www.bloomberg.com/news/2014-04-26/moody-s-improves-romania-s-credit-rating-outlook-on-lower-risks.html>

Multinational groups dominate Romanian business

Only 5,600 groups of companies were locally-owned in Romania in 2012, while the number of multinational groups was six times higher, according to data from the National Statistics Institute INS. About 31,000 groups were controlled by companies from abroad, stats show.

“In 2012, 37,407 groups of companies were identified, out of which 5,689 were resident groups and 31,718 represented groups of multinational companies (102 controlled from inside the country and 31,616 controlled from abroad)”, according to a press release from INS.

Locally-owned groups are very small, mostly made up of two or three firms (90 percent of holdings) and more than likely have business in retail, manufacturing or constructions.

In terms of number of employees, the majority of the holdings in Romania are controlled by German shareholders – 18 percent, followed by Italian – 10 percent, and Dutch – 10 percent.

Link: <http://business-review.eu/featured/multinational-groups-dominate-romanian-business/>

Basescu: Romania’s economy may grow by 4-5 pct

President Traian Basescu believes that Romania’s economy may surge by 4-5 percent this year, arguing that a 1.1 percent adjustment of the structural deficit needs to be made in 2014 and 2015.

Basescu told a debate organised by the People’s Movement Foundation on Sunday that direct foreign investments stood at 282 billion lei in January and February, this fact confirming that the investors appreciate the adjustment Romania has done in 2009-2010 and even in 2011.

“In my opinion, the source of Romania’s economic growth, visible every month and in the last decades in the reports on foreign trade is the foreign direct investment made over the past five, six years,”

Basescu said.

He stressed that despite the fact that the investments are not as high as ahead of the crisis, it's clear that FDI have not reached their entire potential yet.

“That is why my optimism is much higher than the economists’ and I believe we shall have an economic growth ranging from 4.1 to 4.9, anything is possible and perhaps even 5 percent, if the agriculture records a significant production, especially that, even if we have a lower production, there are chances for prices to increase and have a higher contribution, the prices for the agricultural production, due to the situation in Ukraine, Russia and so on”, Basescu said.

On Monday, Victor Ponta announced that after the first quarter of 2014, preliminary data showed a GDP increase of 3.7 percent.

Link: <http://business-review.eu/news/basescu-romantias-economy-may-grow-by-4-5-pct/>

RUSSIAN FEDERATION



IMF says cuts Russia's '14, '15 econ growth forecasts to 0.2%, 1.0%

The International Monetary Fund (IMF) has reduced the Russian gross domestic product (GDP) growth forecast for 2014 and 2015 to 0.2% and 1.0% respectively, the fund's advisor Antonio Splimbergo said Wednesday, RIA Novosti reported.

In April, the IMF forecasted a 1.3% GDP rise in 2014 and a 2.3% one in 2015.

The country's economy has already entered a recession, Splimbergo said.

The federal budget surplus will amount to 0.3% of GDP in 2014, he said.

The net capital outflow will amount to U.S. \$100 billion with the bulk of it represented by households switching to foreign currencies from the weakening ruble.

According to a statement issued by the IMF after consultations with the Russian government, the central bank must be ready to make its credit policy even severer this year if inflation does not slow down.

The monetary authority has raised the repo rate to 7.5% from 7.0% at the last meeting on April 25 to counter high inflation risks.

Link:

http://www.1prime.biz/news/politics_economy/IMF_says_cuts_Russias_%E2%80%9814_%E2%80%9815_econ_growth_forecasts_to_02_10/0/%7BA230BC2A-A994-49A5-878C-523C668DD4B6%7D.uif

Ministry: Russia's GDP rises 0.9% on year in March, 0.1% on month

Russia's gross domestic product (GDP) adjusted for seasonal factors increased by 0.9% on the year and by 0.1% on the month in March, the Economic Development Ministry said in a statement Tuesday.

The ministry has increased the country's annual GDP growth for January and February to 0.7% and 0.9% respectively. The economy expanded 0.8% in January–March, flat on the year and down by 0.5% on the quarter, the ministry said.

Russia's GDP may rise by 1.1% in 2014, under the basic case scenario, if the government softens the budget rule and banks receive additional capitalization, Deputy Economic Development Minister Andrei Klepach has said. Under a conservative scenario, the GDP may rise 0.5% in 2014.

Link:

http://www.1prime.biz/news/politics_economy/Ministry_Russias_GDP_rises_09_on_year_in_March_01_on_month/0/%7BD5CB0DC6-0D26-4DFD-AD1E-4432EA8558CD%7D.uif

Russia to spend 95% of budget on federal programs by 2016

The Russian government plans to allocate up to 95% of the country's budget to finance the federal programs by 2016, Prime Minister Dmitry Medvedev said Monday at the government's meeting.

"Now the government spends around 57% of the budget on federal programs," Medvedev said.

Medvedev also called on the government to improve the efficiency of federal programs. He said that only programs on the development of social support and healthcare sector, the prevention of crimes, the protection from emergency situations; and development of aircraft industry have proved their economic feasibility.

Economic Development Minister Alexei Ulyukayev said that the government must take into account the efficiency of the existing federal programs while planning the country's budget for 2015–2017.

Link:

http://www.1prime.biz/news/politics_economy/ Russia_to_spend_95_of_budget_on_federal_programs_by_2016/0/%7B6FEDA0BB-E38D-4586-8E32-81B05C03C2F8%7D.uif

SERBIA



South Stream construction in Bulgaria and Serbia in summer

The construction of the South Stream pipeline will be realised strictly according to the plans, the Gazprom Information Department stated.

The main part of the pipeline construction in the territory of Bulgaria and Serbia will begin in summer 2014, Gazprom CEO Alexey Miller said as reported by the Voice of Russia.

Only South Stream can provide realistic guarantees to Europe in terms of energy security, Miller said.

The first quantities of gas will be delivered through the pipeline in late 2015, states the release.

Link: <http://www.tanjug.rs/news/126829/south-stream-construction-in-bulgaria-and-serbia-in-summer.htm>

Serbia's Q1 budget deficit totals RSD 71.8 billion

Serbia's budget deficit totaled RSD 71.8 billion in the first quarter (Q1) of 2014, the Serbian Finance Ministry said in a release on Friday.

The deficit in March was RSD 38.4 billion and expenditures that month were greater than in the previous two, due to repayment of external debt, payment of interest on Eurobonds and agricultural subsidies.

According to earlier reports by the Finance Ministry, budget deficit in the first two months of 2014 was RSD 33.4 billion, amounting to RSD 26.4 billion in February.

The 2014 budget law foresees a budget deficit of RSD 182.5 billion, or 4.6 of projected GDP.

Budget revenues in March totaled RSD 58.1 billion and expenditures were RSD 96.4 billion, excluding indirect budget users' revenues and expenditures.

In March, tax revenues amounted to RSD 50.7 billion, while non-tax revenues were RSD 7.3 billion.

Link: <http://www.tanjug.rs/news/126763/serbias-q1-budget-deficit-totals-rsd-71-8-billion.htm>

UAE businesspeople to visit Serbia in May

Businesspeople from the United Arab Emirates (UAE) will be paying a visit to Serbia from May 19 through 22 to assess possibilities for cooperation with Serbian colleagues.

The visit of the UAE business delegation, to include businesspeople from all seven emirates, was agreed at a meeting between the president of the Chamber of Commerce and Industry of Serbia (PKS) Zeljko

Sertic - who is heading a Serbian business delegation visiting the UAE - and Undersecretary of the UAE Ministry of Foreign Trade Abdullah Al-Saleh, the PKS said in a statement.

Al-Saleh agreed that the UAE Ministry of Foreign Trade must devote particular attention to informing UAE businesspeople on the business climate in Serbia as broadly as possible, the statement said.

The fact that UAE businesspeople do not need visas to go to Serbia and the chance to easily reach other markets from there open the door to new projects and enhanced business cooperation in tourism and other sectors, it was said at the meeting. The PKS delegation presented the business environment in Serbia and the advantages of doing business in free zones.

The UAE delegation, headed by officials of the country's chamber of commerce, will visit the 81st International Agriculture Fair in Novi Sad, to be held from May 20 through 26.

Officials of the UAE Ministry of Foreign Trade said that the development of bilateral cooperation has been very good and that they will back the PKS activities aimed at continuing the trend.

The meeting was attended by Mohammed Nasser Hamdan Al Zaabi, the UAE ministry's director of trade promotion, Serbian Charge d' Affaires in Abu Dhabi Milos Perisic and Zoran Bojovic, the PKS president's international cooperation adviser.

During the April 27 - May 1 working visit to the UAE, the PKS delegation will speak to leading businesspeople and leaders of the seven emirates.

Link: <http://www.tanjug.rs/news/127192/uae-businesspeople-to-visit-serbia-in-may.htm>

EUR 200 million for 100 most important projects

Serbia will have access to EUR 200 million from the EU Pre-Accession Assistance (IPA) funds for the 100 strategically most important projects over the next seven years.

The project list was prepared by a working body in cooperation with the European Integration Office and relevant ministries, monthly Nova ekonomija reports.

According to team leader Ruggero Tabossi, the sum is far from sufficient for the completion of large infrastructure projects such as highways, railways and power plants, but it can attract funds from the international financial institutions, including EBRD and EIB.

Martin Kern, Head of Operations of the EU Delegation to Serbia, said that the new methodology of the common investment channel is aimed at reducing the number of projects whose realization was initiated, but, for some reason, not completed.

He pointed to "bottlenecks" preventing the completion of projects, with issues most frequently relating to the legal framework and the state co-financing. Problems occasionally occur in the cooperation between institutions, as their responsibilities are not clearly defined, or because some do their job and others do not.

Also, professionals with experience in working with the EU funds tend to transfer to the private sector for better pay.

Link: <http://www.tanjug.rs/news/127437/eur-200-million-for-100-most-important-projects-.htm>

PM: Air Serbia to introduce flights to U.S. in 2015

Prime Minister Aleksandar Vučić said on Tuesday that Air Serbia increased the number of passengers by 80 percent in April, year-on-year.

“That is good news,” Vučić commented during a handover ceremony in Belgrade, when he officially assumed his new office.

He also said that he expected the company to do its business “in the black” by the end of this year.

According to Vučić, “that will be the first time in many years that the domestic carrier will give money to the state, without taking anything from it, as was the case until now.”

The new prime minister also announced that Air Serbia would next year introduce flights to destinations in the United States.

Link: <http://www.serbia-times.com/pm-air-serbia-to-introduce-flights-to-u-s-in-2015/>

TURKEY



Turkey's exports reached \$13.1 billion in April

Exports from Turkey totaled \$13.1 billion in the month of April, an 11.5 percent increase from the same month last year, according to figures from the Turkish Exporters' Assembly (TİM) announced by TİM President Mehmet Büyükekçi on Thursday.

Chairman of Turkish Exporters' Assembly (TİM) Mehmet Büyükekçi announced the export figures of April in Kastamonu, a province in the Black Sea region. According to TİM's report, in April total exports increased by 11.5 percent and climbed to \$13.15 billion (TL 27.67 billion) compared to the same month of the previous year. In the first three months of the year, total exports increased by 9.5 percent and reached \$53.43 billion, which is the highest number reached in the first quarter. TİM's report also noted total exports in the last 12 months increased by 1.6 percent, up \$155.76 billion compared to the same period last year.

Büyükekçi stressed that the export figure of \$14.7 billion in March, which was announced yesterday by Turkish Statistical Institute, was a record in the history of the Republic of Turkey on a monthly basis. "The data displays the positive indications in exports," he said. "Should this performance persist after April, we expect to achieve 2014's target of \$166.5 billion in total exports."

During his speech, Büyükekçi evaluated both the national and global economy, commenting that the global economy gradually recovered the loss of the last five years. He also added that the global growth will be at a level of 3.6 percent in accordance with the recent estimations from the IMF. "A rapidly growing Europe is always an advantage to Turkey," he said, and added that an expectation emerged for the delay of increase in interests, which is normally supposed to be made in October in compliance with the U.S. Federal Reserve's decision. Büyükekçi highlighted the statements made by the World Trade Organization on April 14 and commented, "The expectation of an increase in the global trade for 2014 rose from 4.5 percent to 4.7 percent and 2015 is expected to be 5.3 percent. Thus, news from all over the world shows that 2014 can be an advantageous year for Turkey."

Büyükekçi noted the risk outlook of Turkey declined after the elections and the figures of industrial production in January and February increased. "Steady currency prices and the flexible interest rates indicate that the shadow of politics is removed from the economy. A strong increase has been continuing in employment numbers for several months. As businessmen and investors, we are looking to see the interest rate cut led by those positive indicators in economy. We believe that the central bank would take the necessary actions with optimum timing on this issue and gradually decrease the interest rates," the chairman said.

Büyükekçi noted that with the increasing foreign demand, high exchange rates in Turkey favorably influenced the exports as of the second quarter of the year and continued, "We made a remarkably positive start in 2014. Thus, it was once again proven that our exporters performed better with competitive exchange rates. As a matter of fact, Turkey's export of goods increased by 7.2 percent in the first three months compared to the same period last year. The average export increase in the first 70 exporter countries stuck at 1.6 percent in the first two months. We can progress to only a certain level by just focusing on the domestic market. The path to a stable and sustainable growth is exports," he concluded.

Speaking at the same event' Turkey's Economy Minister Nihat Zeybekçi noted that Turkey has been

performing well despite negative domestic and global incidents. "Some international agencies proclaim Turkey will not achieve its exports and growth rate target, which is 4 percent for 2014. Statistics for the first quarter of 2014 indicate that these implications are completely nonsense."

Link: <http://www.portturkey.com/finance/6395-turkeys-exports-reached-131-billion-in-april>

IMF report sees Turkey moving forward despite region

Although Turkey's growth accelerated and rotated to domestic demand in 2013, recent policies are expected to contain private domestic demand and hence overall GDP growth going forward, according to the 2014 spring report of IMF.

Other than Russia and Turkey, the 2014 spring report released in Istanbul from the IMF paints a negative picture of the Eurozone economies' attempts to recover from the 2008 global financial crisis.

Even though Turkey's economy accelerated in 2013 and focused on domestic demand, recent tightening of monetary policy, macro-prudential measures, and sizable exchange rate adjustment are expected to restrain domestic consumption and thus restrict overall GDP growth going forward, according to the IMF report.

The IMF's 'Spring 2014 Regional Economic Issues for Central, Eastern and Southeastern Europe' (CESEE) focuses on the external funding patterns and risks in the European area, and also notes that most of the region has seen economic growth and partly recovered from the 2008 financial crisis.

Leaving aside Russia and Turkey, the largest regional economies, economic growth in the CESEE region is projected at 2.3 percent in 2014 - almost twice last year's pace, despite an unusual constellation of risks which clouds the outlook.

External funding conditions have become more volatile since mid-2013, where in addition to the ongoing reduction in foreign bank funding, portfolio flows to CESEE - not including Russia and Turkey - had turned negative in 2013's third quarter, for the first time since 2009.

Recalling that the IMF's recent World Economic Outlook report in April gave estimates of Turkey's gross domestic product growth in (GDP) for 2013 at 4.3 percent, 2.3 percent for 2014 and 3.1 percent for 2015, the IMF report noted that monetary policies – considered in contrast with external pressures - will cause deceleration.

In the report, Turkey's growth in domestic demand is expected at 6.2 percent for 2013, 0.5 percent in 2014 and 3.1 percent in 2015. While estimating Turkey's real exports growth at 0.1 percent in 2013, 5.6 percent in 2014 and 6.1 percent in 2015, the IMF report expects real domestic consumption growth of 3.9 percent for 2013, 0.3 percent in 2014 and 2.5 percent in 2015. An IMF World Economic Outlook report on April 8 had estimated that the Turkish economy would grow 2.3 percent in 2014, down from the 3.5 percent predicted in October 2013.

Cuneyt Paksoy, a senior economist at Saxo Capital, noted that IMF estimates typically paint a pessimistic picture of the state of affairs in any given market, saying, "The IMF announces its estimates with a scenario that contains all possible risks. Many times in the past, Turkey has brought a positive change in the way it is perceived in international markets by growing beyond IMF forecasts."

The IMF projection for Turkey's economic growth in 2014 sits well below the 4 percent target which the Turkish government's medium-term plans for the economy projects.

But growth figures in 2010, 2011 and 2013 exceeded predictions, converting what would be otherwise have driven away investors into an opportunity to attract more foreign capital.

Paksoy noted Turkey beat the IMF figures once again in April with a 4 percent growth for 2013 as opposed to the IMF's 3.8 percent estimate in its October 2013 report. Turkey grew better than expected in 2011 at 8.8 percent growth, well above the IMF's forecast of 6.6 percent. The growth meant that the economy maintained its momentum from 2010, when the country grew 9.2 percent, its strongest showing in a decade, despite the IMF's 7.8 percent estimate for 2010.

Link: <http://www.portturkey.com/enterprise/6389-imf-report-sees-turkey-moving-forward-despite-region>

‘Turkey is the best address to invest’

Tuncay Aşçı, Member of Board of Astas Holding, said that so far, they sold their real estate portfolios’ 12 percent just to the investors from Gulf countries. Speaking at Turkish Real Estate Forum in Kuwait that was held by Kuwait Finance House and its affiliates in Turkey Aşçı stated that Turkey is the best address to invest.

“Just three weeks ago we were in Dubai International Property Show, and we made many important meetings. We continue to meetings by attending to Turkish Real Estate Forum in Kuwait.”

Tuncay Aşçı expressed, “We have developed very close relations in recent years. Especially after the ‘law of reciprocity’, the have been an intense attention to our projects, which are İstanbul and Bodrum, and offer luxury.”

“On the other hand, real estates have passed beyond the investment too, in Turkey for investors from Gulf region. There is a remarkable mass, who want to live in Turkey. We see that they need projects, which can offer high standards like in their countries and European countries. As Astaş Holding, we carry projects that meet with the expectations of investors from Gulf region, such as Kempinski Residences, Mandarin Oriental Hotel.” Aşçı said.

Link: <http://www.portturkey.com/finance/6386--turkey-is-the-best-address-to-invest>

Consumer confidence index increased by 7.9%

Turkish Statistical Institute (TurkStat) released ‘Consumer Confidence Index, April 2014’. The consumer confidence index is calculated from the survey results with the cooperation of Central Bank of the Republic of Turkey and TurkStat.

According to that, consumer confidence index increased by 7.9 percent in April, compared to the previous month; while the index was 72.7 in March, it rose to 78.5 in April.

General economic situation expectation increased by 11.6%

The index of general economic situation expectation in the next 12 months which was 95.9 in March increased by 11.6 percent and became 107 in April. This rise shows that number of consumers expected a better general economic situation in the next 12 months increased compared to the previous month.

Probability of saving increased by 10.4%

The index of probability of saving in the next 12 months increased by 10.4 percent percent compared to the previous month and rose from 24.1 in March to 26.6 in April. This increase shows that the possibility of saving of consumers in the next 12 months period increased compared to the previous month.

Link: <http://www.portturkey.com/finance/6376-consumer-confidence-index-increased-by-79>

Turkey to meet its privatization targets: Finance Minister

Simsek says Turkey's privatization income reached \$12.5 billion in 2013, a year of global financial crisis.

Turkey will reach its privatization revenue target for 2014 just like it did a year earlier, Finance Minister Mehmet Simsek said.

Prior to his visit to Qatar for talks with international investors, Simsek told that Turkey generated over \$12.5 billion from privatized assets in 2013, outdistancing the estimated target of \$4 billion.

He stressed that this was a significant achievement considering that 2013 was a year of worldwide financial crisis.

"We believe Turkey will reach this year's privatization revenue target of \$7 billion, and even go beyond that. Our contacts with investors show that their interest in Turkey is very high," he said.

Turkish economy gained more than \$58.3 billion from privatized assets since the ruling Justice and Development (AK) Party came to power in 2002.

Link: <http://www.portturkey.com/finance/6373-turkey-to-meet-its-privatization-targets-finance-minister>

Private-public partnership projects reach \$88 billion

The latest cabinet decision in question will include what Prime Minister Recep Tayyip Erdoğan defines as mega projects which are either planned or underway, such as Istanbul's third bridge and third airport.

Instead of the state putting on an investor cap for public infrastructure investments that are mostly in the energy, transportation and port sectors, the state has been championing public-private partnership (PPP) projects undertaken by local-international consortiums. These PPP projects totaled 167 at the end of 2013, with the value of the projects reaching \$88 billion.

With this PPP model which is particularly supported by the World Bank, many projects in several countries have been completed and are ongoing. In the PPP system, three basic aspects of support are sought from the state. 1) The allocation of public land as well as public assets such as coasts, forests and water resources. 2) The guarantee to buy the produced energy or other services for a period of 25-30 years. 3) Assurances to international banks that debts will be covered jointly during the building of projects as necessary.

Treasury guarantee

Last week, a Cabinet decision published in the Official Gazette regarding the "Treasury guaranteed credit" part of the PPP model began attracting attention. The Undersecretariat of the Treasury will provide guarantees to assume responsibility for debts in build-operate-transfer projects worth 1 billion Turkish Liras and in build-lease (BL) projects of the Health and Education Ministry whose minimum investment is 500 million liras.

The decision in question will include what Prime Minister Recep Tayyip Erdoğan defines as mega projects which are either planned or underway, such as Istanbul's third bridge and third airport, the Gebze-İzmit Highway Project and Kanal Istanbul. Educational campuses to be built in eight provinces and city hospitals to be built in 15 provinces will also benefit from the new regulation.

The decision in question will cover those mega projects that have a total investment value of \$88 billion – most of which were launched by businessmen known to be close to the ruling Justice and Development Party (AKP).

HDN Funding facilities

With this method, the top limit of the Treasury assurance will be \$3 billion. However, it was announced that the projects that have been advertised for auction will be exempt from this limit. This means that in those projects such as the third bridge and the third airport, the Treasury will step in if they experience any financial trouble.

Those public institutions which seek financial support for their projects will submit a written application to the Treasury; this demand will be submitted to the Cabinet together with the proposal of the Cabinet minister asking for financing. If the Cabinet approves according to the decision of the Treasury, the relevant debt takeover agreement will be signed. However, the signed debt acceptance agreements will not be published in the Official Gazette, meaning the public will not be able to learn which projects were provided Treasury assurances.

Within the scope of this practice, there will be credits obtained from abroad. In the case that debt acceptance is sought from the Treasury, the amount that needs to be paid by the relevant creditor will be reported to the undersecretariat. The treasury will constitute a “state external debt register.”

HDN PPP trend

The PPP trend in Turkey dates back to a law that enabled private companies to generate electricity in the early 1980s.

Since the enactment of a law that facilitated the build-operate-transfer model in 1994, 167 project contracts have been signed with various models with a total contract value of around \$88 billion, particularly in the transportation and energy sectors as of 2013, according to Development Ministry data.

When looking at other countries in the world, Brazil leads in terms of PPP projects with \$402 billion, according to World Bank data that also shows that India has inked \$306 billion in contracts, followed by Russia at \$127 billion, China at \$119 billion, Mexico at \$115 billion and at Argentina \$91 billion. Turkey ranks seventh out of the top 10.

A \$9 billion tranche of Turkey’s \$88 billion projects were planned before the AKP period, while the remaining \$79 billion was planned during the party’s rule. Around \$46 billion of the projects, including the “mega project” slated for the northern section of Istanbul, were planned between 2010 and 2013.

As a new development, officials have decided to use the PPP model to ramp up the number of health facilities with a law that took effect in March 2013. A Public Private Partnership Office established under Health Ministry in 2007 has been one of the most important tools in executing PPP operations in an organized and systematic way. This entity has taken a number of initiatives in many provinces regarding the establishment of new health facilities.

Link: <http://www.hurriyetdailynews.com/private-public-partnership-projects-reach-88-billion.aspx?pageID=238&nID=65626&NewsCatID=344>

Turkey to become global energy hub: World Bank director

Turkey has a good chance of becoming an energy hub if it maintains the gains it made in the last decade, Martin Raiser, country director for Turkey of the World Bank, said on Friday.

“Turkey has taken major steps in the past decade and nearly half of them were to implement independent

regulatory institutions to strengthen the rule of law to improve business opportunities,” Raiser told Anadolu Agency during the International Energy and Environment Fair and Conference in Istanbul.

“It is very important for the government to restore the confidence that investors have in the quality of the regulatory framework and the independence of the regulatory agencies, whether it is the EMRA [Energy Market Regulatory Authority] in energy sector, or the BRSA [Bank Regulation and Supervision Agency] in the banking sector, or the Central Bank in monetary policy,” he said.

“These are absolutely critical achievements that Turkey has had, and shouldn’t give up. For the regulated energy sector, it is particularly important that everyone believes that regulatory agencies are independent and is not subject to political influence and takes even arms-length decisions with regard to market participants,” he said.

Turkey, dependent on energy imports with limited natural sources, established the EMRA in 2001 as an independent regulatory body to oversee oil, gas, electricity and other markets within the energy sector.

Turkey, in need of foreign direct investment, is trying to boost liberalization in energy market to attract investors and has seen an investment of 75 billion dollars in the energy sector since the foundation of the EMRA, according to unofficial figures obtained from the Energy Ministry.

The World Bank is currently working with Turkey’s Energy Ministry to reform the legislation of the natural gas market, which could allow Turkey to attract competing sources of supply for its domestic market and ultimately make it better-positioned to supply European markets.

Turkey is in a strategic geographical location “between major markets in Europe and major supply sources further east,” said Raiser.

The director said this geostrategic advantage increased Turkey’s chances of becoming a global energy hub, adding that Turkey’s geopolitical context required the resolution of some of the political issues around energy resources in the eastern Mediterranean basin and Iraq.

As part of its bid to become an energy hub, Turkey invested in the Trans Anatolia Natural Gas Pipeline (TANAP) to carry Azerbaijani gas to Europe. The recent discoveries of natural gas fields in the eastern Mediterranean off the coast of Israel have introduced an opportunity for Ankara as Turkey is the most feasible route for Israeli gas to reach European and Asian markets.

But the strained relations between Turkey and Israel over the Mavi Marmara incident in 2010 are expected to thaw as both sides have signaled possible reconciliation. Turkey is also attempting to mediate a resolution in Iraq between the central government and the Kurdistan Regional Government (KRG), which will allow Kurdish oil to reach Turkey for re-export.

The bank provided financing for the Baku-Tbilisi-Ceyhan pipeline, which carries Azerbaijani oil to Turkey.

Also, the bank management has recently prepared an analytical study on some interconnection of power systems between Turkey and the South Caucasus, and projects that may bring hydrocarbon resources from the South Caucasus.

“Most of the lending [to Turkey] in the last 12 months has been in the energy sector,” said Raiser. “The World Bank is particularly interested in Turkey to support renewable energy and energy efficiency. Both of them help Turkey save on its energy import bill, and at the same time it can [prevent] carbon emissions.”

The bank is also working with the Turkish Petroleum Pipeline Corporation (BOTAS) on building a natural gas storage near Tuzgözü in central Turkey. The project will help Turkey even out the natural gas market by storing gas in times of low demand and releasing it at peak demand, while also enhancing energy security by providing a surplus buffer.

The Turkish Electricity Transmission Company (TEİAŞ) is another customer for the bank in a project to expand transmission systems.

Link: <http://www.hurriyetdailynews.com/turkey-to-become-global-energy-hub-world-bank-director.aspx?pageID=238&nID=65605&NewsCatID=348>

UKRAINE



European Commission Signs New Loan Program for Ukraine

European Commission Vice-President Siim Kallas signed the Memorandum of Understanding concerning the new loan program for Ukraine. The new program provisions Macro-Financial Assistance (MFA) for the Eastern European country in the amount of EUR 1 billion. The Memorandum was previously approved by the EU Council of Ministers on April 14.

The new MFA was designed to provide economic and financial assistance to Ukraine, while the state is going through the critical stage of its development, reads the press release on the European Commission's website. The loan program is a part of the Ukraine support package, which was earlier announced by the European Commission and endorsed by the European Council.

“This assistance, combined with the previously decided EUR 610 million MFA program, will provide much-needed help to the Ukrainian Government for its financing needs. It is a concrete sign of the EU's support to the Ukrainian people in a difficult situation, along with the other long-term financial assistance,” commented European Commission Vice-President Siim Kallas, as quoted by europa. eu. Notably, the EUR 610 MFA program was approved in 2010 but was not released due to the non-compliance with the necessary conditions by the former authorities in Kyiv.

Remarkably, on March 21, 2014 Ukraine and the European Union signed an Association Agreement which had been in the works for the past three years but had not been finalized by the Yanukovich administration. In addition, Ukraine and the European Union have agreed to remove all tariffs applied to Ukrainian goods which are exported to Europe. This measure creates a better environment for the turnaround of goods and is expected to result in an extra economic benefit of about EUR 500 million, as reported Ukraine's interim Prime Minister Arseniy Yatsenyuk.

Moreover, Ukraine's interim government has conducted financial aid negotiations with the U.S., Japan, the European Union, the International Monetary Fund and the World Bank. The total amount of the loan from helping states is estimated to reach USD 20 billion. The new economic policy of the interim Ukrainian Government has been focused on reducing government spending, lowering the number of public servants, shrinking the size of the state carport and lowering additional payments to governmental officials. Within the past 60 days the state budget has received more than UAH 16 billion in taxes, which is UAH 203.4 million more than during the same period last year.

Link: <http://wnu-ukraine.com/news/economy-business/?id=4202>