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Major Economic and Financial Indicators

CURRENCY RATES (February 20, 2009)			
	US\$	EUR	RUB
UZS	1406.49	1838.85	40.70
UZS (weekly change, %)	0.14 ▲	0.18 ▲	5.41 ▲
KZT	149.00	188.40	4.15
KZT (weekly change, %)	0.41 ▲	0.98 ▼	2.81 ▼

Source: Central Bank of Uzbekistan, National Bank of Kazakhstan

COMMODITY PRICES (February 20, 2009)		
	Price (US\$)	Bi-Weekly change (%)
WHEAT FUTURE (CBT) (bu)	532.00	3.97 ▼
CORN FUTURE (bu)	353.25	4.53 ▼
NATURAL GAS FUTR (MMBtu)	4.026	10.73 ▼
BRENT CRUDE OIL FUTR (bbl)	41.31	10.18 ▼
GOLD 100 OZ FUTR	977.00	3.79 ▲
COTTON NO.2 FUTR (lb)	44.61	4.00 ▼

Source: Bloomberg

ECONOMIC INDICATORS (9 months 2008)		
	Uzbekistan	Kazakhstan
GDP (US\$, bln)	18.6	96.7
GDP (% , y-o-y)	9.4	3.9
Agricultural output (US\$, bln)	5.78	9.42
Industrial output (% , y-o-y)	12.4	2.9
Foreign Trade Turn-over (US\$, bln)	15.7	84.2
Export (US\$, bln)	10.1	56.1
Import (US\$, bln)	5.6	28.1
Inflation (%)	4.5	8.8
Population (mln)	27.4	15.7

Source: State Statistics Committee of the Republic of Uzbekistan, State Statistics Committee of Kazakhstan

Economy

Uzbekistan introduced revised Tax code in 2008, which envisages to provide with direct influence on the taxation process.

Before the new Tax Code's introduction, along with Tax Code there were additional normative, which controls taxation process.

The ratified agreement has been developed and will operate concerning the goods transported through the customs borders of the Customs Union member states.

An expert group of the European Commission headed by Eva Sinovich arrived on a fact-finding mission to Yerevan on February 18.

The European experts plan to discuss the priority reforms to help Armenia to prepare for negotiations for signing a comprehensive agreement on free trade with the EU.

The Expert Council discusses issues of fiscal policy improvement in Uzbekistan

The Expert Council meeting of the Business Forum on Improvement of the Fiscal Policy titled "Taxation of business: practice, problems and prospects" was held on 13 February in the conference hall of the House of Youth in Samarkand.

The event was organized as a joint project by the Ministry of Finance, and the UN Development Programme's "Public Finance Reform in Uzbekistan" and "Business Forum of Uzbekistan" projects, and International Financial Corporation.

The roundtable meeting was aimed at assisting the implementation of monitoring of the implementation of the Law "On approval of the Tax Code of the Republic of Uzbekistan", discussing not very effective norms and provisions of the Tax Code that require further improve-

ment and correction to eliminate existing ambiguities and contradictions with concerned parties.

Participants discussed the estimation of VAT on provision of services and works in specific spheres, particularly in construction and under joint activity, new order of calculation of the single social payment; exclusions from the taxation base in calculation of taxes on profit; taxation of non-residents; unification of taxation of similar income; the order of conducting tax inspections, and the problems with the submission of tax reports.

During the discussion interest was paid to the norms of the Tax Code related to mandatory payments to off-budget funds, the issues concerning the organization of unplanned inspections and checks, the practice of ap-

plication of penalty sanctions, consideration of claims and requests, and the timeframes for certain procedures.

The recommendations suggested during the business forums on improvement of certain norms and provisions of the Tax Code were presented to the members of the Government Task Group.

The forum was attended by the representatives of the Ministry of Finance, the staff of tax agencies, representatives of big and small businesses, auditor companies and lawyers specialized in the issues of tax legislation. (source: uzreport.com)

Kazakhstan ratified Agreement on conduct of customs statistics of external and mutual trade in goods

The President of Kazakhstan, Nursultan Nazarbayev, on February, 17th, 2009, signed the Law of the Republic of Kazakhstan on ratification of the Agreement on the conduct of customs statistics of external and mutual trade in goods by the members of the Customs Union, the agency reports citing the official mass media.

"The Agreement on the conduct of customs statistics of external and mutual trade in goods by the members of the Customs Union, signed in Moscow on January, 25th, 2008, will be ratified," the document published in official mass media on Friday stated.

As informed earlier, the law has

been created with a view of formation of the legal base of the Customs Union of the Republic of Kazakhstan, Belorussia and the Russian Federation. (source: Kazakhstan Today).

Armenia-EU free trade agreement to facilitate Armenian-European market integration

An agreement on free trade between Armenia and the European Union (EU) will facilitate the integration of Armenian markets with European markets, RA Minister of Economy Nerses Yeritsyan stated at the opening of a meeting on the activities of a fact-finding mission to prepare possible negotiations for the signing of a free trade agreement between Armenia and the EU.

The Minister said that the issue of signing a comprehensive agreement with the EU will be

discussed with EU experts.

"We will raise the issue of integration of Armenian markets and business environment into European markets. We will elaborate a full-fledged program and, if we manage to reach an agreement, a schedule will be drawn up, which will enable us to ensure an environment in conformity with international standards for Armenian markets and exporters," he said.

The Minister expressed hope that the negotiations will be completed soon because the implementation of this agreement will require time.

According to him, the major obstacle to an agreement with the EU is not in the Armenian laws, but their proper application and the creation of institutional opportunities. (source: arka.am).



Financial Markets

Central Bank of Armenia and the German KfW Bank are providing a loan for the development of the mortgage crediting market.

Bank of Georgia is one of the leading Georgian universal banks, providing a full range of commercial and investment banking, asset and wealth management, insurance, leasing and card processing services to its corporate and retail clients.

Armenia needs to boost mortgage market to stimulate construction

Armenia should boost mortgage market to be able to maintain the current rates of construction business, Armenian Prime Minister Tigran Sargsyan said today as he met with representatives of local construction firms.

The premier stressed the importance of implementing government programs for completing construction activities in the quake-hit area, the Armenian Government's press service reports.

The participants at the meeting discussed possible participation in construction programs and the government's assistance to those initiatives.

They also touched upon current capacities, investment opportunities and development prospects of the construction sector amid the global financial and

economic crisis.

In the past 10 years, construction was the motive force of Armenian economy, Sargsyan said, emphasizing the role of overseas partners in boosting the sector.

"The assessments you have got, the expectation and existing programs are of crucial importance for the government," the prime minister said, emphasizing the role of financial forecasts in the coming two years. "You are well aware of the current situation in the market and know what is in demand now," Sargsyan continued.

The premier suggested that the businessmen submit their proposals to the government in order to get necessary assistance during the financial crisis.

Hailing the Republic of Arme-

nia's Government's policy, the representatives of local construction firms discussed possible cooperation with the government.

They expressed concern over the impact on the global crisis on Armenia's economy and construction business, pointing out lack of credit funds, gloomy economic forecasts and the expected drop in property prices.

The Armenian premier vowed staunch support to the owners of construction firms and said the government is open to the new forms of cooperation. He urged the businessmen to collaborate with the Central Bank as well. (source: arka.am)

Bank of Georgia Plans to Open 30,000 Green Deposit in 2009

In January 2009, US\$ 14.7 mln worth of deposits were opened in Bank of Georgia. One of the most popular deposits in BOG since September 2008 has been the Green Deposit. Since the creation of the product, at Bank of Georgia US\$ 55.24 mln worth of green deposits have been opened.

"In 2008, 1,500 green deposits have been opened, we plan to have opened 30,000 green deposit in 2009," Ramaz Kukuladze, Deputy General Director, Commercial Banking of Bank of Georgia, told The FINANCIAL."

According to Bank of Georgia, green deposits were created for the purpose of restoring the forests that were burnt and destroyed during the Georgian Russian conflict. For every GEL

500 worth Term or Child deposit that is opened, Bank of Georgia promises to plant trees in Borjomi-Kharagauli Park.

The largest retail bank in the country with an approximately 33% market share by total assets, Bank of Georgia serves over 904,000 retail clients through its network of 140 branches and 386 ATMs (the largest ATM footprint in Georgia), as well as through other delivery channels including the internet, mobile banking and a state-of-the-art call centre.

Bank of Georgia is acquiring 70% equity interest in Belarusk Narodny Bank (BNB) in Belarus and becoming a partner of American Express for credit card acquiring and issuing in Georgia. (source: finchannel.com).

One-third of investment spending to be stashed away

Around US\$ 2 bln out of US\$ 5.7 bln designated in Azerbaijan's 2009 budget for state spending on investments will be used as hedge funds. Some analysts claim the non-distribution of one-third of the earmarked amount runs counter to the Law on Budget System and describe the government's move as a precautionary measure.

Rovshan Aghayev, deputy head of the Assistance to Economic Initiatives public union, says that due to the world financial crisis, the amount set aside may not be spent at all. Of note, about 80% of this year's investment spending will be channeled into the implementation of projects that were created in recent years. (AzerNEWS)



Company & Industry

In 2008, Norm finished a tender to hold consulting services for the project. The tender involved 10 renowned cement-production consulting companies.

The **Indian Holtec Consulting** won the tender. The company is now a technical consultant to Norm and will help develop the project and select a contractor to construct the plant.

Under a compact signed on March 27, 2006, the **Millennium Challenges Corporation** is to allocate \$235.65mln to Armenia for renovation of irrigation systems and communal roads.

Uzbekistani regulatory body actively used the practice of attracting the spare funds of the commercial banks to special deposit accounts and deposit certificates of the Central Bank.

Region's largest cement plant to be built in Azerbaijan

The Azerbaijani private company Norm announced a tender to engineer and construct the Qizildas Cement Plant, as the company said in a press release.

The tender envisages constructing an advanced technology cement production set, supplying raw materials and storing, packing and selling goods.

Norm was launched on May 4, 2006 as a cement company selling goods on the Azerbaijani market. Today the company occupies a niche on the South Caucasus and Caspian cement market.

The Qizildas Cement Plant will be located in the Garadag district. Norm has purchased land to develop raw material fields. Over the past two years, Norm conducted preliminary activities to determine the power and

location of the future plant and develop a strategy for the project. The company completed the necessary topographical and preliminary exploration studies. A detailed calculation of raw material deposits at its sites will be completed by April 2009.

Employing over 500 people, Holtec has operated on the cement market since 1967. The company has grown into a major engineering consulting company. Its portfolio includes over 2,500 multipurpose projects for over 600 customers in India and 73 countries around the world.

The Qizildas Cement Plant will be commissioned in three stages. The first stage will be completed and the first batch of cement will be sold by mid-2011. In the first stage, two ovens will be commissioned. One oven with a capacity of two

million tons per year will produce portland cement and a second oven with a capacity of 100,000 tons per year will produce backfill cement for the oil industry.

Norm will be the first company in the region to offer backfill cement meeting American Petroleum Institute standards.

The second and third stages envisage constructing two additional lines with a capacity of four million tons of cement per year. Construction is expected to be completed within 5 years after the first stage.

The Qizildas Cement Plant, with a capacity of 6 mln tons of portland cement and 100,000 tons of backfill cement per year, will be the biggest cement producer in Azerbaijan and the Caspian region. (source: *Trend Capital*).

Millennium challenges corporation to consider continuation of program in Armenia

At its sitting scheduled for this March the Board of the US Millennium Challenges Corporation will consider the issue of continuing its program in Armenia, reported Stephen Banks, Acting DCM and Political-Economic Section Chief of United States' Embassy in Armenia.

He expressed satisfaction with the program and gave a good rating to the work carried out by the Millennium Challenge Account - Armenia. Banks expressed a wish that the program be continued for the benefit of the Armenian people. He pointed out that the program is aimed to reduce rural poverty.

On the other hand he expressed concern over the decrease in

some of the indices that are a compulsory requirement for further implementation.

Banks said that, under the compact, the further implementation of the program requires a certain level of a number of indices, particularly socio-economic policy and fair management.

Banks pointed out a decrease in these indices, with the 2008 indices not considered. (source: *arka.am*).

Uzbekistan's Central Bank sterilizes excessive liquidity in money market

In order to regulate the money supply volumes, ensure the stability of the interest rates and the liquidity of the financial market, the Central Bank of Uzbekistan actively participates in the operations in the open market.

Last year in order to reduce the

negative effect of the growth of the surplus of foreign trade turnover on the money supply the Central Bank took measures to sterilize the excessive liquidity in the monetary market.

As noted in the paper of the Central Bank "Current situation in monetary-crediting sector and the key aspects of the monetary policy for 2009" the average monthly volume of the operations conducted in 2008 made up UZS 1.22 bln (about US\$ 0.875 mln).

Moreover, the Central Bank of Uzbekistan actively engaged in the operations of purchase and sale of state medium term treasury bonds and CB bonds in the IPO and secondary markets. (source: *uzreport.com*)

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