

COUNTRY BRIEFINGS

In elaborating the country profiles, we have used information from the websites of the following institutions:

World Bank
www.worldbank.org

European Bank for Reconstruction and Development
www.ebrd.com

European Investment Bank
www.eib.org

Asian Development Bank
www.adb.org

European Commission - Directorate-General for External Relations
ec.europa.eu/external_relations

European Commission - Directorate-General for Economic and Financial Affairs
ec.europa.eu/dgs/economy_finance

CIA - World Factbook
www.cia.gov

Background figures in railways source: UIC Statistics
Economics source: World Bank - World Development Indicators Database
Ease of Doing Business Rank 2010 source: www.doingbusiness.org

ALBANIA

Implementing major fiscal and legislative reforms and upgrading infrastructure were top priorities of the Albanian Government in order to attract foreign direct investment. The reforms implemented generated a 27% increase in FDI (680 m EUR) and a 6% GDP growth in 2008. Albania achieved middle income status and graduated from IDA (International Development Assistance) concessional flows to IBRD (International Bank for Reconstruction and Development) lending, increasing investor's interest in the future economic growth of the country.

At the end of last year, Albania received the status of EU membership candidate country. The pre-accession funds available through IPA under the Multiannual Indicative Financing Framework The National Strategy for Development and Integration (NSDI) stipulates the strategic goal of Albania being part of the international transport corridors.

For the railway sector, NSDI make provision for restructuring the Albanian Railway company (HSH Railways) at management organisation level is a priority. HSH is a state owned public company, managed and operated on commercial basis. The company is supervised by the Ministry of Transport and Telecommunications. The State owns all railway infrastructure, superstructure and equipment. HSH is managing, maintaining and operating these branches. In 2008, the Albanian government announced the intention of giving into concession 421 railway network, 25 locomotives and 290 passenger coaches. Though the press stipulated that China Railway Construction Group was interested in bidding for concession, ATRAKO, the Concession Agency of Albania, received no specific bids until June 2010.

Albania intends to integrate into the regional railway network by building a rail connection with Macedonia, part of Rail Corridor VIII. The plan was reaffirmed by Tranpost Ministers of the two countries during a meeting that took place early this year. Linking Durres - main Albanian port, a gateway to Corridor VIII - to Skopje and Sofia (Bulgaria) will boost regional trade. According to Pre-feasibility study on the development of the railway axis, for the Albanian segment of Corridor VIII building the missing rail link between Lin and Struga (Macedonia), rehabilitating and upgrading Durres-Vlore, Durres-Tirana, Durres - Quafe Thanës (Lin) railway links and are priorities.

The study indicates that rail management of the Durres-Skopje-Sofia section could break even with the hypothesis of transporting 1.5-2 million tons of freight for an average distance of 500 km.

The construction boom triggered activity in the railway freight sector due to cement, clinker and steel imports from EU via Montenegro (the only international rail link completed in 2004) to Durres Port. Tirana-Durres area is considered a strategic, with high economic growth potential, taking into account that approximately 35% of the local companies and 65% of the foreign investment are concentrated here. The Albanian Government launched a PPP project for building a railway line to serve Porto Romano area (oil and LPG terminal project).

Background figures in railways (2009):

423 km length of lines

32 x 1 000 000 passenger-kilometres

46 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	12.29	11.83
GDP growth (annual %)	6	2
Exports of goods and services (% of GDP)	31	29
Imports of goods and services (% of GDP)	59	54
Industry, value added (% of GDP)	20	20

Ease of Doing Business Rank 2010

World	rank 82
Eastern Europe & Central Asia	rank 18



ARMENIA

While trade with Iran has intensified in 2009, the continuing closure of the Turkish and Azerbaijani borders remains a major impediment to Armenian trade flows. Falling prices for base metals over the past year have put additional pressure on Armenia's external position. The move towards a flexible exchange rate and the subsequent 22 per cent depreciation in relation to the US dollar by the end of March have boosted the competitiveness of Armenia's exporters.

Armenia's economy is expected to contract by about 12 per cent in 2009 in the wake of the global economic downturn. However, it is expected to record positive growth in 2010, partly as a result of the significant concessional finance packages from the International Monetary Fund (IMF), the World Bank and Russia. Further improvements in relations with Turkey could, on the other hand, make a significant positive contribution to Armenia's trade balance.

Starting June 1st 2008, South Caucasian Railway Company (SCR), subsidiary owned by RZD, administrates, conforming to a cession agreement, the railway network of Armenian Railway Company (AR). The cession agreement lasts 30 years, but after 20 years of operating the Armenian Railways, it can be extended up to another 20 years.

Armenia relies on its railway system for about 70% of imports and exports. Once heavily used, rail operations fell 10-fold since the independence in 1991. This was due to the decline in rail-based industries and output in Armenia as a result of the closing of its border with Azerbaijan and Turkey. The growing mining industry in south Armenia is emerging as a major industrial output to be transported to the ports of Black Sea. Armenia's closed borders with its neighbours entail high transport cost and therefore, transit of goods through Armenia is nonexistent.

The major project Armenia announced refers to the construction of a line to link Armenia to Iran. In turn, Iran confirmed its participation in the project. For financing this project, the Armenian officials have carried out discussions with Russia, China and Iran. In 2008, the ADB agreed to provide \$1.5 million to study the feasibility of such a project. The sum has not yet been disbursed.

In March 2010, the EBRD signed a EUR 5 million loan for the Yerevan Metro project with the Armenian Government. The project is co-financed by a EUR 5 million loan from EIB and a EUR 5 million grant from the EU Neighbourhood Investment Fund (NIF). This project is defined as Phase I and it includes the replacement and installation of some components identified as urgent. Further, it is planned to prepare a programme of measures for elimination of water ingress and general rehabilitation of the structures in the Yerevan Metro. This work is to be implemented within Phase II. Phase II is anticipated to be financed in the same way as Phase I.

Background figures in railways (2009):

845 km length of lines

818 km electrified lines

Economics	2008	2009
GDP (current billions US\$)	11.91	8.71
GDP growth (annual %)	7	-14
Exports of goods and services (% of GDP)	15	12
Imports of goods and services (% of GDP)	40	36
Industry, value added (% of GDP)	45	35

Ease of Doing Business Rank 2010

World	rank 43
Eastern Europe & Central Asia	rank 9



AZERBAIJAN

For Azerbaijan, economic recovery began in 1995 when, with greater political stability, the Government embarked on a program to stabilize the economy and introduce structural reforms. These reforms, aimed at stabilization and laying foundations for a market economy, were largely successful and ushered a period of sustained growth.

Starting in 2006, when Baku–Tbilisi–Ceyhan pipeline was inaugurated, Azerbaijan entered a new chapter in its development. Higher oil revenues allowed the government to embark on a large scale infrastructure modernization program aimed at improving the environment for non-oil sector development and the quality of social services. In 2007 and 2008, Azerbaijan's economy grew at 25 percent and 10.8 percent respectively.

Azerbaijan's current modernization efforts are geared towards building foundations for greater diversification and sustainability of the economy. Important reforms have been completed in social assistance, are underway in the general education sector, and are being designed in the health sector. Efforts to improve the business environment (especially in business registration, labor market flexibility, protecting investor rights, and in tax administration) resulted Azerbaijan being named top reformer in improving business regulations among 185 assessed countries in Doing Business 2009.

Azerbaijan State Railway (ADDY) is a state-owned company which manages both infrastructure and train operation. In July 2009 the President issued a decree to transform the state-owned railway monopoly. The new wholly state-owned joint-stock company intends to commercialise its activities and will prepare the future privatisation of a number of railway services.

On December 18, 2009, the World Bank and the Government of Azerbaijan Republic signed the Loan and Project Agreements for the \$450 million Railway Trade and Transport Facilitation Project. The project is expected to cut transit time on east-west corridor, improve operational reliability, reduce energy costs, and support growth in profitable freight traffic. The project is expected to enable the railway to attract growing transit business to Azerbaijan. While such services remain related to the regional oil industry, they

provide Azerbaijan with an opportunity to capitalize on its location by offering value added services for oil and oil products from neighboring countries. This will benefit not only the railway, but also other logistics businesses (port services, storage).

Azerbaijan collaborates with Russia and Iran to form an integrated railway infrastructure on the North-South International Transport Corridor. This corridor will create a land bridge extending almost 4,500 km from the Baltic Sea to the port of Bandar-Abbas on the Persian Gulf.

Background figures in railways (2009):

2,079 km length of lines

1,251 km electrified lines

6,390 x 1 000 passengers carried

1,025 x 1 000 000 passenger-km

20,790 x 1 000 tonnes carried

7,592 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	46.13	43.01
GDP growth (annual %)	11	9
Exports of goods and services (% of GDP)	69	52
Imports of goods and services (% of GDP)	25	25
Industry, value added (% of GDP)	70	60

Ease of Doing Business Rank 2010

World	rank 38
Eastern Europe & Central Asia	rank 6



AUSTRIA

Following several years of solid foreign demand for Austrian exports and record employment growth, the international financial crisis and global economic downturn in 2008 led to a recession that persisted until the third quarter of 2009. Austrian GDP contracted 3.5% in 2009 but it will probably see positive growth of nearly 2% in 2010. Unemployment has not risen as steeply in Austria as elsewhere in Europe, partly because its government has subsidized reduced working hour schemes to allow companies to retain employees.

The Austrian economy has benefited greatly in the past from strong commercial relations, especially in the banking and insurance sectors, with central, eastern, and southeastern Europe, but these sectors have been vulnerable to recent international financial instabilities. Some of Austria's largest banks have required government support - including in some instances, nationalization - to prevent insolvency and possible regional contagion. In the medium-term all large Austrian banks will need additional capital.

The ÖBB Group started to operate on 1 January 2005. Based on the Federal Railway Structure Act 2003 (Bundesbahnstrukturgesetz 2003) one of the greatest Change Management processes ever in an Austrian business was successfully put on track. By mid-2004, ÖBB companies had been established and incorporated, such as ÖBB-Personenverkehr AG, Rail Cargo Austria AG and ÖBB-Infrastruktur Betrieb AG.

ÖBB-Infrastruktur AG is currently developing railway infrastructure projects with a total investment volume of more than € 2bn a year. These investments are mainly focused on the four-track development of the Western line (Vienna – St. Pölten, Amstetten – Linz, Ybbs – Amstetten), the four-track development Kufstein – Baumkirchen (lower Inn valley), the railway line development Vienna – Bratislava, the development of the Southern line with the Koralm Railway Line and the Semmering Base Tunnel new the Lainzer Tunnel as connecting line between the Western, Southern and Donaulände railway.

Austria's location favours East-European connections. It is the starting point of the Pan-European Corridor 10, also connected to Corridor 4. These two corridors link South-

Eastern Europe to the continent centre. Austria is also involved in the project for building the broad gauge corridor that will cross Russia, Ukraine and Slovakia.

Vienna has a well-developed rail public transport network, including one of the largest tramways systems in the world. Vienna public transport Wiener Linien operates five underground lines and 30 tramways. The vehicle fleet currently consists of over 500 trams.

Background figures in railways (2009):

5,784 km length of lines

3,539 km electrified lines

210.2 x 1 000 000 passengers carried

10,210 x 1 000 000 passenger-km

106 x 1 000 000 tonnes carried

20,202 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	412.88	384.9
GDP growth (annual %)	2	-3
Exports of goods and services (% of GDP)	59	-
Imports of goods and services (% of GDP)	54	-
Industry, value added (% of GDP)	31	-

Ease of Doing Business Rank 2010

World	rank 28
OECD	rank 17



BELARUS

Since its independence in 1991, Belarus has faced challenges similar to those faced by other CIS countries: transition from planned to market economy, the opening of the political process, and the continued delivery of basic services in an environment of eroding government fiscal capacity. Belarus undertook limited, yet initially sufficient reforms, in an increasingly benign external environment, achieving significant economic growth and avoiding the sharp drop in per capita incomes experienced by many of its neighbors.

In recent years the government has been revisiting its economic growth model, and stepped up its reform effort during the international economic crisis. Starting in 2007 due to sharp decreases in energy subsidies and growing competition in external markets, financial pressures and declining terms of trade began to mount, culminating in 2008 with the onset of the global financial and economic crisis. The financial and economic crisis exposed Belarus' structural vulnerabilities, the recognition of which spurred reforms; however macroeconomic risks remain considerable.

Minsk has depended on a standby-agreement with the IMF to assist with balance of payments shortfalls. In line with IMF conditions, in 2009, Belarus devalued the ruble more than 40% and tightened some fiscal and monetary policies. Nevertheless, Belarus missed its 2009 budget targets with a deficit of less than 1% of GDP. On 1 January 2010, Russia, Kazakhstan and Belarus launched a customs union, with unified trade regulations and customs codes still under negotiation.

Belarusian Railways is a state association subordinated to the Ministry of Transport and Communications of Belarus, which includes 85 organizations with legal entity status. Belarusian Railways also holds seven plants for railway equipment manufacturing and overhaul.

In August 2010, Belarus has approved a 2011-2015 strategy to develop transit potential in the region. The strategy is expected to generate \$2.4bn in cargo and passenger transit revenues in 2015, an increase of 60% compared with 2010. Belarusian Railways (BZD) transported in January-August this year 89.3 million tons of cargo, which is 2,9% over the same period last

year. In particular, transit of goods through Belarus for the first eight months rose by 4.2% to the same period of 2009 and amounted to nearly 30 million tons. In the structure of transit dominated coal, petroleum, ore, fertilizers.

Minsk is the only city in Belarus with an underground metro system. Construction of metro began in 1977. It has two lines which are 30.316 km long. 1.245 km is operated daily by 49 electric trains (220 underground railway carriages). There are plans for a third line to be constructed.

Background figures in railways (2009):

5,510 km length of lines

898 km electrified lines

83,479 x 1 000 passengers carried

7,401 x 1 000 000 passenger-km

133,996 x 1 000 tonnes carried

42,742 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	60.31	48.98
GDP growth (annual %)	10	0
Exports of goods and services (% of GDP)	62	58
Imports of goods and services (% of GDP)	69	66
Industry, value added (% of GDP)	44	45

Ease of Doing Business Rank 2010

World	rank 58
Eastern Europe & Central Asia	rank 13



BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina is a potential candidate country for EU accession following the Thessaloniki European Council of June 2003. Following the entry into force of the Interim Agreement on 1 July 2008, access of products from Bosnia and Herzegovina to the EU expanded, and EU exports to the country have been granted trade preferences. In 2007, both the country's exports to and imports from the EU increased by 6.3% and 8.8% respectively. The main source of export revenues are manufactured goods – including textiles, machinery and transport equipment, and raw materials. The EU is the main trading partner of the country.

After a period of successful post-conflict reconstruction, strong GDP growth continued in the post-reconstruction period, averaging 6 percent for the past five years. However, with the global economic crisis has led to a rapid external adjustment, with the Current Account Deficit estimated to have dropped from 14.9 percent in 2008 to around 7 percent in 2009. In July 2009 following important fiscal measures at state and entity level, the IMF approved a 36-month stand-by arrangement of US\$ 1.57 billion.

Railway capacities and infrastructure were mostly destroyed during the war. The total damage is estimated at one billion USD. After the war, tracks, bridges, railway facilities, and contact network were repaired and traffic restarted in the entire territory of B&H. The two railway companies in Bosnia and Herzegovina are ŽFBH (Željeznice Federacije Bosne i Hercegovine) and ZRS (Željeznice Republike Srpske).

In terms of adopting the European legislation, there has been limited progress in the area of rail transport. Network statements, providing train operators with a single information source on rail infrastructure, have been prepared. Some legislative steps have been carried out by Republika Srpska. However, railway companies do not yet meet the preconditions for functioning as vertically integrated - in accordance with the *acquis* - since independent audits for effective separation between infrastructure managers and railway undertakings have not been performed. Bosnia and Herzegovina signed in 2005 a credit agreement with Portugal for 32 million Euro

and includes details on the delivery of 356 new wagons and modernisation and reconstruction of 411 wagons of FBiH Railways. The Agreement was signed in 2005 and the deadline of payment is 28 years. BiH railways should acquire additional 1.000 freight cars to meet the requirements of BiH railway sector.

Sarajevo was also the first city in Europe and the second city in the world to have a full-time operational electric tram network running through the city. It consists of one line, 10.7 kilometres long, being an east-west link.

Background figures in railways (2009):

600 (ZBH) + 416 (ZRS) km length of lines

440 (ZBH) + 330 (ZRS) km electrified lines

462 (ZBH) + 442 (ZRS) x 1 000 passengers carried

34 (ZBH) + 27 (ZRS) x 1 000 000 passenger-km

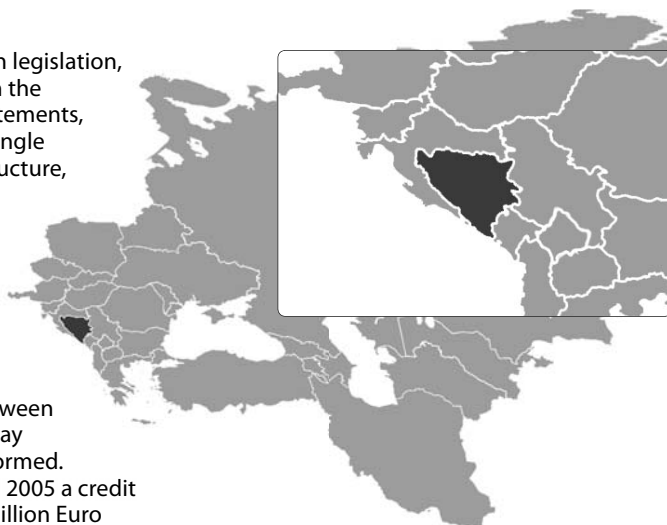
7,203 (ZBH) + 4,012 (ZRS) x 1 000 tonnes carried

703 (ZBH) + 323 (ZRS) x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	18.51	17.12
GDP growth (annual %)	5	-3
Exports of goods and services (% of GDP)	37	32
Imports of goods and services (% of GDP)	69	57
Industry, value added (% of GDP)	29	27

Ease of Doing Business Rank 2010

World	rank 116
OECD	rank 23



BULGARIA

Bulgaria has experienced a difficult economic crisis in the '90s with serious implications that made the standard of living plummet. The global economic crisis has abruptly ended Bulgaria's rapid economic expansion over recent years. GDP declined by 4.9 percent in 2009 after growing at almost 6 percent from 2000-2008. The sharp contraction of external financing and domestic credit to the private sector brought to an abrupt end the investment boom of the recent past.

Bulgaria has no natural gas reserves and little oil, so that it depends almost entirely on Russia. However, Bulgaria is an important manufacturer of steam power plant energy and relies on its coal reserves or its nuclear plant in Koslodui. (Another nuclear plant is currently being built at Belene).

Bulgaria's transport network is under modernisation with the main purpose of levelling up the gap between the Bulgarian networks and the EU standards, integrating it into the TEN-T network and rehabilitating the pan-European corridors that cross it. The railway market in Bulgaria liberalised in 2002, while several norms have lately regulated an open and transparent market.

Bulgarian Railways, BDZ, has operated as a single institution until 2002. Nowadays, BDZ is separated by the infrastructure manager, NKZI, under the Railway Law passed by the Parliament in 2000 and effective starting 2002. In turn, BDZ EAD restructured in 2007, separating activities into three companies BDZ Passengers, BDZ Freight and BDZ Traction, each 100% owned by mother company, BDZ.

Private operators entered the Bulgarian market in 2005. The first one was BRC, owned by Bulgarian company Aropolychim and Romanian operator GFR. Bulmarket, another private operator, reported a volume of 0.4 million tones carried in 2007. Two other freight operators received license in October 2008: Gastrade and Unitranscom, the latter owned by Bulgarian company TransWagon and Romanian operator Unifertrans.

Bulgaria's priorities in transport are included in the Sectoral Operational Programme – Transport, approved by the European Commission. NKZI plans to implement the following major projects: Modernisation of Vidin-Sofia line (total cost EUR 320 Million) – Corridor IV, Electrification and reconstruction of the line from Svilengrad to the

Turkish border (EUR 35 Million) – Corridor IV, IX and X, Modernisation of Sofia-Plovdiv line (EUR 125 Million) – Corridor IV and X, Modernisation of Sofia – Pernik – Radomir line (EUR 100 Million) – Corridor X, Rehabilitation of Plovdiv – Burgas line (EUR 187 Million) – Corridor VIII, Construction of an intermodal terminal in Sofia (EUR 25.90 Million).

Sofia metro is to be extended by a line 7.2 km long to the international Airport and also to a second metro line connecting the railway station and the city centre (4 km long). These projects are financed by EU Structural Funds and an EIB loan.

Background figures in railways (2009):

4,150 km length of lines

2,833 km electrified lines

31,360 x 1 000 passengers carried

2,144 x 1 000 000 passenger-km

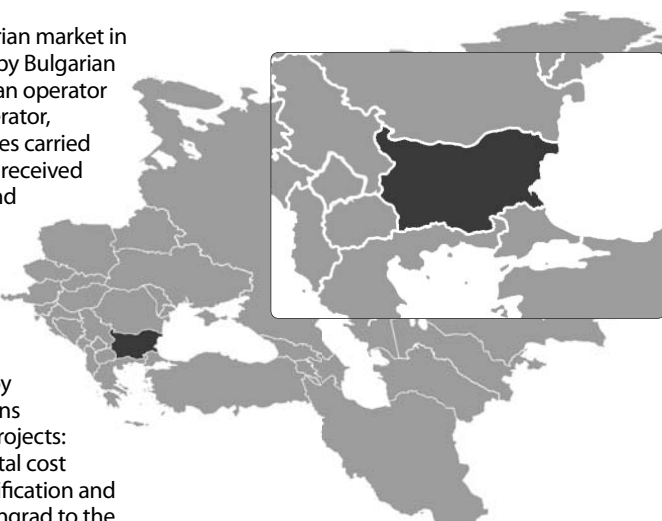
13,284 x 1 000 tonnes carried

3,152 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	49.9	47.1
GDP growth (annual %)	6	-5
Exports of goods and services (% of GDP)	60	50
Imports of goods and services (% of GDP)	83	58
Industry, value added (% of GDP)	31	30

Ease of Doing Business Rank 2010

World	rank 44
Eastern Europe & Central Asia	rank 10



CZECH REPUBLIC

The Czech Republic is considered as one of the most stable and prosperous of the post-Communist states of Central and Eastern Europe. The country became a member state of the European Union on 1 May 2004. Maintaining an open investment climate has been a key element of the Czech Republic's transition from a communist, centrally planned economy to a functioning market economy.

Prior to its EU accession in 2004, the Czech government harmonized its laws and regulations with those of the European Union. The small, open, export-driven Czech economy grew by over 6% annually from 2005-2007 and by 2.5% in 2008. The conservative Czech financial system has remained relatively healthy throughout 2009. Nevertheless, the real economy contracted by 4.1% in 2009, mainly due to a significant drop in external demand as the Czech Republic's main export markets fell into recession.

The railway system in the Czech Republic is EU compliant. The national railway companies are: the infrastructure manager SŽDC, the passenger operator ČD and the freight operator ČD Cargo. Four Railway Transit Corridors were defined for the Czech Republic, which are as a priority to be modernised. First Czech Corridor and part of the Third Czech Corridor are integrated into the Pan-European Corridor IV and the Second Czech Corridor into the Pan-European Corridor VI.

Up until 2002 the pre-accession funds Phare and Phare CBC were utilised for modernisation of the railway network. Czech Railways, state organisation was the end recipient of this support. In the period from 2003-2004, SŽDC continued in carrying out large railway projects of international significance co-financed from the ISPA pre-accession financial instrument previously commenced by Czech Railways, state organisation, and also commenced new projects.

Accession to the EU enabled SŽDC between 2004-2006 to also make use of grant funding from ERDF (European Regional Development Fund) for modernisation of the track network of national and European importance and also from Programme TEN – T. SŽDC is utilising the TEN-T programme largely for co-financing studies (project documentation, construction projects).

In the new programme period 2007 - 2013

SŽDC plans on utilising the newly established Operation Programme Transport for financing projects and will continue to use the TEN - T programme. SŽDC also plans during the period 2007 – 2013 to use funds from ERDF. In 2009 SŽDC, in cooperation with DSDiK, was successful in obtaining funding for carrying out the project "Revitalisation of the Szklarska Poręba – Harrachov railway track" from the Operation programme for cross-border cooperation Czech Republic - Poland 2007—2013.

Background figures in railways (2009):

9,539 km length of lines

3,153 km electrified lines

162,906 x 1 000 passengers carried

6,462 x 1 000 000 passenger-km

68,162 1 000 tonnes carried

12,616 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	216.08	190.27
GDP growth (annual %)	2	-4
Exports of goods and services (% of GDP)	77	70
Imports of goods and services (% of GDP)	73	64
Industry, value added (% of GDP)	38	37

Ease of Doing Business Rank 2010

World	rank 74
OECD	rank 25



CROATIA

Croatia has been a candidate country for EU membership since June 2004. On 12 February 2008 the Council adopted the new Accession Partnership for the country. The status in the accession negotiations is that there are 22 provisionally closed chapters and negotiations have been opened in 33 chapters. EU-Croatia trade has substantially increased since the opening of the EU market under the Autonomous Trade Measures in 2000. In 2008 EU- Croatia trade was at €19.244 billion, which constitutes 65.5% of the total trade.

Prior to the onset of the global crisis, the Croatian economy grew at a healthy 4-5 percent annually, incomes doubled and economic and social opportunities dramatically improved. The Croatian authorities have been managing the impact of the global crisis relatively well. Due to declining tax revenues, the fiscal policy had to go through significant adjustments to protect macroeconomic stability and ensure regular debt service.

In terms of adopting the European legislation, there has been some progress in the area of rail transport. Croatia signed the «Addendum to the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network for a South East European Railway Transport Area» in December 2007. The railway network statement has been published in December 2007. Following the adoption of the Railway transport safety act in 2007 the Ministry has formed working groups for drafting the necessary implementation rulebooks.

A Separation Act in 2005 regulated the separation of the company Croatian Railways - HŽ into four new companies for the following business areas: management, maintenance and construction of railway infrastructure; transport of passengers; transport of cargo and train traction.

Croatian Railways, together with Serbian and Slovenian railway companies formed a joint transport company to operate over Corridor 10. The founders of Cargo 10 also expect the company to attract business from the competing Corridor 4, and to lower the prices of transport services. Croatian railway company Hrvatske željeznice (HZ) makes 70% of its revenue precisely on Corridor 10, and HZ Cargo will pay yearly membership fee for

Cargo 10 in the amount of EUR 20,000. It will invest EUR 33,334 in capital stock.

Suburban rail traffic around Zagreb is to be fully renovated and reorganised. Some local lines previously shut down will be reactivated, and a link to Zagreb airport has been approved and announced by Zagreb authorities. New EMUs and DMUs have been ordered from Croatian manufacturer Koncar. Tram service is the basic type of public transport in Zagreb. Regular tram transport includes 116.346 m long tracks, 193 lead cars and 41 trailers.

Background figures in railways (2009):

2,723 km length of lines

985 km electrified lines

73,650 x 1 000 passengers carried

1,794 x 1 000 000 passenger-km

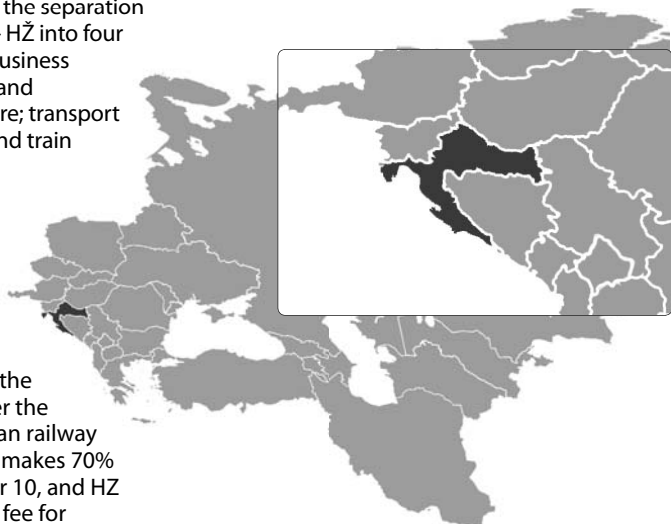
11,651 x 1 000 tonnes carried

2,641 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	69.33	63.03
GDP growth (annual %)	2	-6
Exports of goods and services (% of GDP)	42	41
Imports of goods and services (% of GDP)	50	45
Industry, value added (% of GDP)	28	29

Ease of Doing Business Rank 2010

World	rank 103
Eastern Europe & Central Asia	rank 21



GEORGIA

From 2000 to 2008, the Georgian economy has known a permanent growth and in 2006, the World Bank referred to Georgia as the number one economic reformer in the world, climbing in just one year from the 112nd to the 18th position in the ease of doing business rank. After a difficult period in the '90s, Georgia knew a remarkable growth of the GDP in 2006 (10%) and in 2007 (12%). The growth rhythm slowed down to just 3% in 2008. After the economic contraction in 2009, Georgia is likely to experience only a modest recovery in 2010, reflecting relatively low levels of domestic and foreign investment and limited bank lending.

The Georgian Railways are managed by the state company Sakartvelo's Rkinigza – SR (Georgian Railway, GR). The company manages both infrastructure and train operation. Since 2007, when the intention of selling the company was announced, there have already been two biddings. There is no fixed deadline for signing the contract, while experts are reluctant about the percentage to be privatised. Recent declarations at the ministry level in Georgia have defined GR's privatisation as being on indefinite hold.

The most important railway project underway is the railway bypass of the capital Tbilisi, a project for which EBRD had allocated a EUR 100 Million loan.

In the Baku-Tbilisi-Kars project, Georgia has been entrusted with the construction of 30-km of new line from Akhalkalaki to the Turkish border and the modernisation of the line section stretching from the border with Azerbaijan, crossing Tbilisi, up to Akhalkalaki.

Georgia has a population of only 4.62 million but is one of the most urbanized countries in the Caucasus. Public urban transport in all cities relies heavily on minibuses and buses. Minibuses constitute 47% of public transport in Tbilisi and nearly 80% in other major cities. These often duplicate existing bus lines and provide a poor service and minimal comfort.

In Tbilisi, trams and trolleybus services have been discontinued. The urban transport network in the capital comprises a two-line metro system, 125 bus routes, and 188 microbus routes operated by public and private companies. The two T-shaped metro lines were designed as the backbone of the city transport system and carry 260,000 passengers daily. Improvements to the rolling

stock have been made since 2007. In July 2009, a significant milestone was reached in network integration through the merger of the metro and bus companies.

In July 2010, Asian Development Bank (ADB) has provided Georgia \$300 million in loans for an urban transport overhaul. The ADB funds will be released in three tranches, with the first \$85-million tranche earmarked for the extension of a metro rail in Tbilisi, and for roads, pedestrian and cycle paths that could stimulate tourism in cities, including Mestia which is a UNESCO heritage site.

Background figures in railways (2009):

1,566 km length of lines

1,486 km electrified lines

3,120 x 1 000 passengers carried

626 x 1 000 000 passenger-kilometres

17,104 1 000 tonnes carried

5,417 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	12.79	10.73
GDP growth (annual %)	2	-4
Exports of goods and services (% of GDP)	29	27
Imports of goods and services (% of GDP)	58	51
Industry, value added (% of GDP)	21	21

Ease of Doing Business Rank 2010

World	rank 11
Eastern Europe & Central Asia	rank 1



GREECE

The Greek economy grew by nearly 4.0% per year between 2003 and 2007, due partly to infrastructural spending related to the 2004 Athens Olympic Games, and in part to an increased availability of credit, which has sustained record levels of consumer spending. But growth dropped to 2% in 2008. The economy went into recession in 2009 and contracted by 2%, as a result of the world financial crisis, tightening credit conditions, and Athens' failure to address a growing budget deficit, which was triggered by falling state revenues, and increased government expenditures.

In May 2010, the International Monetary Fund and Eurozone governments provided Greece emergency short- and medium-term loans worth \$147 billion so that the country could make debt repayments to creditors. In exchange for the largest bailout ever assembled, the government announced combined spending cuts and tax increases totalling \$40 billion over three years, on top of the tough austerity measures already taken.

The contraction in the economy is in line with May program projections: GDP is expected to decline by 4 percent in 2010 and some 2½ percent in 2011. With no signs of second-round effects, inflation is expected to decline rapidly. In the fiscal area, the authorities have kept spending significantly below budget limits at the state level. In the financial sector, there has been a moderate deterioration in capital adequacy as nonperforming loans have increased in line with expectations. Impressive progress is being made on structural reforms.

Implementation of recent tax reform and budget reform is key in order to consolidate fiscal consolidation. Other reforms that are scheduled for early implementation are transportation, where important progress has already been made with liberalization of road haulage, and energy. Restoring competitiveness and boosting potential growth remains critical to the program's success.

At the beginning of 2007, Greece Railways, OSE was transformed into a holding company with the parent company and four subsidiaries covering the whole range of services which, up to the end of 2006, had been covered by OSE as the only company

in the sector. The sole shareholder of the four companies is OSE, whose sole shareholder is the Greek state. OSE's four subsidiaries are the National Administrator of Railway Infrastructure (EDISY), ERGOSE, Passenger and Freight Transportation Services (TRENOS) and GAIAOSE.

Extensions of Athens Metro network is financed by EIB, totals EUR 1.5 billion since 1994. The project consists of the design, construction and commissioning of four extensions to lines 2 and 3 of the Athens Metro comprising 13 km of underground tracks, 11 stations and 2 depots.

Background figures in railways (2009):

2,552 km length of lines

264 km electrified lines

15,272 x 1 000 passengers carried

1,414 x 1 000 000 passenger-km

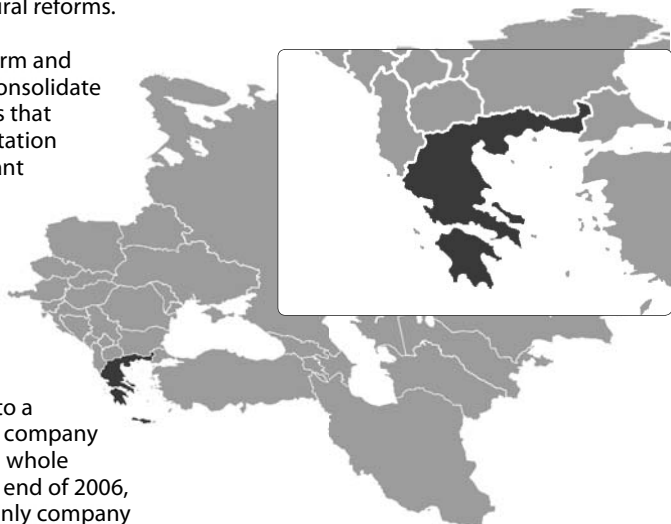
3,429 x 1 000 tonnes carried

538 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	350.3	329.92
GDP growth (annual %)	2	-2
Exports of goods and services (% of GDP)	23	-
Imports of goods and services (% of GDP)	32	-
Industry, value added (% of GDP)	20	-

Ease of Doing Business Rank 2010

World	rank 109
OECD	rank 27



HUNGARY

Hungary has made the transition from a centrally planned to a market economy, with a per capita income nearly two-thirds that of the EU-25 average. The private sector accounts for more than 80% of GDP. Foreign ownership of and investment in Hungarian firms is widespread, with cumulative foreign direct investment totaling more than \$200 billion since 1989. The government's austerity measures, imposed since late 2006, have reduced the budget deficit from over 9% of GDP in 2006 to 3.3% in 2008.

Hungary's impending inability to service its short-term debt - brought on by the global financial crisis in late 2008 - led Budapest to seek and receive an IMF-arranged financial assistance package worth over \$25 billion. The global economic downturn, declining exports, and low domestic consumption and fixed asset accumulation, dampened by government austerity measures, resulted in an economic contraction of 6.7% in 2009.

The former Hungarian State Railways transformed into MÁV Group, and henceforth the following business branches continue their operation as separate companies: passenger transport is operated by MÁV-START Railway Passenger Transport Co., traction services are catered by MÁV-TRAKCIÓ Railway Traction Co., vehicle maintenance and servicing is operated by MÁV-GÉPÉSZET Railway Vehicle Maintenance and Repairs Co.

MÁV Co. – as the parent company and central controller of the MÁV Group – is henceforward the number one railway company of Hungary, and with its employees, 20,000 in number, it is one of the country's largest employers. Besides managing the group of companies, the operation of railway infrastructure services and the central control and back-up service provider organisations (procurement, economic and human resources management, real estate management, security services etc.) still come under MÁV Co.

Rail Cargo Austria and GySEV – regional railway company owned by Hungary (61%), Austria (33.3%) and Spedition Holding (5.7%) won the tender organised in May 2007 for the acquisition of MÁV Cargo for the amount of 102.5 Billion forints (EUR 377 Million) and promised to invest a further 43.5 Billion forints (EUR 160 Million) for the development of the company within the next 5 years.

The modernisation of a railway line of a total length of nearly 350 kilometres is in progress in the frame of eight separate projects, mainly on the lines, which constitute a part of the Hungarian sections of the Pan-European corridors. Hungary is crossed by Pan European Corridors 4, 5 and 10.

There are four cities in Hungary using tramways (Budapest, Debrecen, Miskolc and Szeged). Budapest is the only one with an underground network. Budapest Metro consists of three lines, a fourth one being currently under construction.

Background figures in railways (2009):

7,793 km length of lines

2,788 km electrified lines

102,220 x 1 000 passengers carried

5,708 x 1 000 000 passenger-km

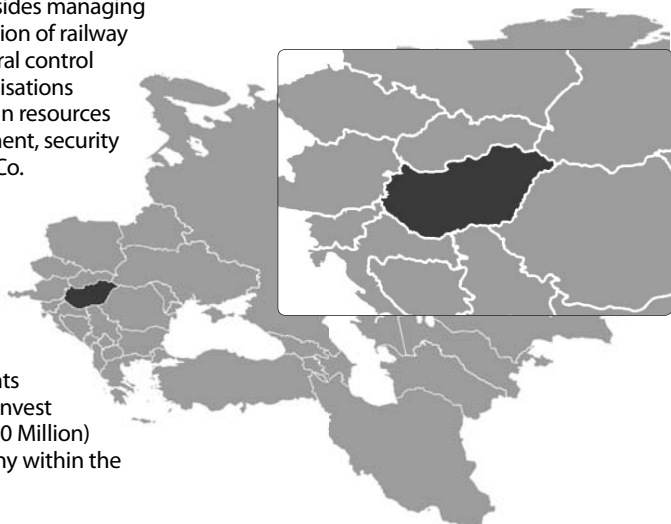
32,818 x 1 000 tonnes carried

6,065 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	154.66	128.96
GDP growth (annual %)	1	-6
Exports of goods and services (% of GDP)	81	-
Imports of goods and services (% of GDP)	80	-
Industry, value added (% of GDP)	29	-

Ease of Doing Business Rank 2010

World	rank 47
OECD	rank 21



IRAN

Iran has the second largest population, after Egypt, in the Middle East and North Africa region. Larger numbers of increasingly well-educated women seek opportunities to participate at all levels of Iran's labor market and civil society; however their labor market participation and employment rates remain limited. The country's health and education indicators are fairly high by regional standards.

The large public enterprise sector dominates Iran's economy, in addition to the quasi-public bonyads which have a large presence in the manufacturing and commercial sectors. Over 60 percent of the manufacturing sector's output is produced by the state-owned enterprises; the financial sector is also dominated by public banks despite the creation of four private banks in the early 2000s. Progress in privatization and the creation of a level playing field for private firms has moved very slowly in the past years.

In recent years, Iran has made some progress in implementing its trade reform agenda by streamlining tariff and non-tariff barriers. Nonetheless, customs duty applies on nearly all goods imported into Iran. Imports of consumer goods generally incur tariffs of 30–50 percent; capital and intermediate goods have slightly lower tariff rates; and tariffs on medicines, wheat and "strategic" goods are at zero. Other reforms that helped to enhance foreign trade are the elimination of the multiple exchange rate system six years ago. In 2005 Iran was invited by the WTO to launch accession negotiations and has been working on its trade regime report to be presented to the organization.

Iran has officially joined Transport Corridor Europe-Caucasus-Asia (TRACECA) in September 2009, in order to improve its links with international transit markets. The Islamic Republic of Iran Railways (abbreviated IRIR or sometimes RAI) is the national state-owned railway system of Iran. Raja Passenger Train Company is an associate of the IR and manages its passenger trains including international trains. The Railway Transportation Company is an associate of the IR to manage its freight transport. The railway network is almost entirely non electrified, and Iran has recently started an electrification programme. RZD is involved in the electrification works on

the Tabriz-Azarshahr. The 46 km long line will be electrified in alternative current of 25 kV-50 Hz, parameters that will be kept for the future electrification projects on the line to Tehran. The section is also connected to the Culfa (Djulfa/Julfa)-Tabriz line, which was electrified in 1979 as part of a project developed by the Soviet Union.

Background figures in railways (2009):

7,555 km length of lines

148 km electrified lines

26,000 x 1 000 passengers carried

15,312 x 1 000 000 passenger-km

33,000 x 1 000 tonnes carried

20,540 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	338.18	331.01
GDP growth (annual %)	2	2
(2007) Exports of goods and services (% of GDP)	32	-
(2007) Imports of goods and services (% of GDP)	22	-
(2007) Industry, value added (% of GDP)	44	-

Ease of Doing Business Rank 2010

World	rank 137
Middle East & North Africa	rank 15



KAZAKHSTAN

Kazakhstan enjoyed strong economic performance from 2000 to 2007, with average real GDP growth of 10 percent. The Government maintained a healthy fiscal surplus during that period, accumulating about 21 percent of GDP in the National Fund of the Republic of Kazakhstan (NFRK). However, the economy was, and remains highly resource-dependent, with manufacturing accounting for 11 percent and agriculture 5 percent of GDP in 2008. In contrast, minerals, oil and gas, accounted for 73 percent of exports and 39 percent of GDP. Consequently, the Government has made diversification of the economy a development priority.

Despite the strong overall economic trends in Kazakhstan, a spiral of unsustainable growth in commercial lending and foreign borrowing in 2005 -2007 set the stage for difficulties in the financial and construction sectors. Since mid-2007, problems in the global financial markets blocked local banks' access to cheap external financing. The deepening of the world economic crisis since September 2008 has had further negative repercussions on the country. Kazakhstan faced a short but very sharp terms-of-trade shock and large capital outflows, which forced a 20 percent devaluation of the Tenge in February 2009.

At present, it appears that an economic recovery has begun in Kazakhstan, with the strengthening of commodities prices being the most important factor supporting it. Positive trends in the real sector of the economy have boosted the confidence of investors, increased profitability in key sectors like mining, and strengthened domestic demand.

Kazakhstan Temir Zholy (KTZ) is the national railway company of Kazakhstan. A Railway Law was enacted in 2001 and the Kazakhstan State Railways (KTZ) was incorporated as a joint stock company in 2002. The core railway businesses have been largely unbundled and ancillary services have been divested, but institutional restructuring is still ongoing. There is limited private sector participation (e.g. provision of wagons) from domestic operators, but there is significant presence of foreign (mainly Russian) operators. A price regulator (AREM) was established but is still not fully independent.

The Kazakh authorities signed a MoU with the EBRD to collaborate on reform of the railways and the restructuring of the national railway company Kazakhstan Temir Zholy with a focus on the refurbishment of rolling stock, including acquisition of wagons and locomotives, including through private sector participation. EBRD provided recently a \$105 million loan to JSC Transtelecom for the construction of a 4,664-km fibre cable along the railway tracks and also a \$50 million loan to Kaztemirtrans, a subsidiary of the KTZ, to finance the renewal of the company's rolling stock.

Background figures in railways (2009):

14,205 km length of lines

4,144 km electrified lines

18,797 x 1 000 passengers carried

14,860 x 1 000 000 passenger-km

247,678 x 1 000 tonnes carried

197,302 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	133.44	109.15
GDP growth (annual %)	3	1
Exports of goods and services (% of GDP)	57	46
Imports of goods and services (% of GDP)	37	38
Industry, value added (% of GDP)	43	40

Ease of Doing Business Rank 2010

World	rank 63
Eastern Europe & Central Asia	rank 14



KOSOVO UNDER UNSCR 1244

Kosovo's economic growth has been steady since the end of the conflict in June 1999, attributable in part to large public investments in post-conflict reconstruction as well as an increase in private investment. GDP growth, reflecting the massive donor-funded reconstruction effort and high public and private investment, averaged 4 percent since the end of the conflict and reached 5.4 percent in 2008. Growth reverted to about 4 percent in 2009 in the wake of the global economic crisis, a much better outcome than in the rest of Southeastern Europe, which suffered declines in output. Kosovo has established the euro as the local currency, which has led to relatively low inflation.

The relatively small impact of the global financial and economic crisis on real growth up to this point reflects Kosovo's limited international integration with the world economy. Although Kosovo's exports suffered a sharp decline (about 20 percent) in 2009 after a 4-5 year period of rapid growth, their still-small contribution (5 percent) to GDP meant the impact on overall growth was proportionately small.

The mining and energy sectors are potential key sources of future growth. Kosovo has abundant resources of lignite, lead, zinc, ferromanganese, magnetite, and crushed stone, as well as duty-free access and relatively low transportation costs to the EU and Central European markets. In particular, utilization of lignite resources by attracting strategic foreign investment could turn the energy sector into an engine of growth rather than a drain on public resources and major constraint to doing business. Similarly, with fertile land and a temperate climate, agriculture is another potential source of economic growth.

In transport, Kosovo has embarked on a major road building programme, which contrasts with underinvestment in railways. European Commission reported very limited progress in the rail transport sector. The Law on Kosovo Railways envisages the separation of infrastructure management and train operations. This has not been achieved. Compensation offered to railways for the provision of public passenger services is granted, but does not cover costs. Rail transport is not a government priority.

Limited resources have been allocated to this sector. The condition of Kosovo's railway infrastructure and rolling stock and the level of railway services remain poor. By contrast, Kosovo's Multi-Modal Transport Strategy identifies investment needs over € 500 million for Kosovo's railway infrastructure, and a further €230 million in rolling stock, for the next 20 years.

Kosovo Railways have recently finalized the optical network on the main railway line Hani i Elezit – Mitrovicë; on the lines of the second range Prishtinë – Klinë – Pejë and from Klina to Prizren. Optical transmitting equipment of the type Siemens OTN (150Mb/s) have been installed and are functional in 15 railway stations.

Background figures in railways (2009):

430 km length of lines

333 km electrified lines

Economics	2008	2009
GDP (current billions US\$)	5.66	5.35
GDP growth (annual %)	5	4
Exports of goods and services (% of GDP)	10.4 (2007)	-
Imports of goods and services (% of GDP)	57	-
Industry, value added (% of GDP)	20 (2007)	-

Ease of Doing Business Rank 2010

World	rank 113
Eastern Europe & Central Asia	rank 22



FYR OF MACEDONIA

The country's economic performance improved considerably prior to the recent global economic crisis. The stabilization in the last decade, coupled with stronger reforms created grounds for a more robust recovery. Average real GDP growth reached around 3.7 percent from 2003-2006 and accelerated to around 6 percent during 2007 and the first three quarters of 2008 bringing the country's growth rate closer to regional averages.

The Macedonian economy has so far weathered the global economic crisis better than most countries in the region. The crisis resulted in a collapse of external demand and a sharp drop in private capital flows. The first signs of slowing growth emerged in the second half of 2008; by mid-2009 the economy was officially in recession and as of the third quarter of 2009, GDP had contracted by 1.4 percent. Nevertheless, the contraction has been less severe than experienced elsewhere in the region. This appears to be due to a slower adjustment in domestic demand, as a result of considerable fiscal expansion since late-2008, and the relatively healthy financial sector.

The economy is projected to grow by 2 percent during 2010, benefiting from continued fiscal expansion, improving demand and prices of Macedonian exports as well as carefully managed monetary policy. Still, slower growth in the main trading partners and financing concerns may jeopardize the recovery.

The former Yugoslav Republic of Macedonia was granted candidate country status for EU membership in 2005. EU continues to be the main trading partner accounting for 60% of total imports and 47% of total exports. The second most important trade destination are the neighbouring countries in the Western Balkan with about 34% of exports and about 11% of imports.

The railway reform in 2007 devided Macedonian Railways (Makedonski Zeleznici) in the infratstructure manager and the transport undertaking - MZ Transport AD - Skopje. Macedonia is crossed by pan-European corridors 10 and 8.

The board of the Macedonian Railways AD Transport is confident that the conditions in the company are improved from several aspects:

to restore transport, railways will connect with other former Yugoslav republics from the new project and moreover strengthen the financial relief of the obligations. The first half of financial year is far better for Macedonian Railways compared to last year, declared recently Oliver Derkoski, director of Macedonian Railways AD Transport, who added that there is a great role of the state law to transform the railways, and moreover taking over much of the old obligations.

Background figures in railways (2009):

699 km length of lines

234 km electrified lines

2000 x 1 000 passengers carried

154 x 1 000 000 passenger-km

3000 x 1 000 tonnes carried

497 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	9.52	9.22
GDP growth (annual %)	5	-1
Exports of goods and services (% of GDP)	53	44
Imports of goods and services (% of GDP)	79	67
Industry, value added (% of GDP)	34	36

Ease of Doing Business Rank 2010

World	rank 32
Eastern Europe & Central Asia	rank 5



REPUBLIC OF MOLDOVA

Since 2000, Moldova's strong growth performance has reversed a decade of economic decline and rising poverty. Between 2000 and 2004, real GDP has increased by more than 30 percent and the poverty rate has been cut by more than half. Moldova's agricultural resources and skilled labor forces, when combined with its attractive geographic location - close to the bigger CIS countries and the much larger European Union (EU) market - and the emerging networks of migrants in important overseas markets, provide the country with ample opportunities for continued economic expansion.

The economy suffered a severe contraction in 2009, as the global economic crisis has hit Moldovan exports and remittances. The industrial and construction sectors will continue to be the most severely affected. Financing the large budget deficit in 2009 will be challenging, even if expenditure is cut significantly. The return to positive economic growth in 2010 and beyond partly depends on the pace of the expected recovery in Moldova's main trading partners, but it will also need to be underpinned by further improvements in the business environment.

Moldova Railways (Calea Ferată din Moldova - CFM) is the state owned company responsible for passenger and cargo transportation, as well as railway infrastructure maintenance. It is the successor of MZhd, a subdivision of the USSR railway. The network is not electrified and almost the entire network is single track.

CFM is currently confronted with a fuel crisis and reduced passenger transport after the oil crisis and rise in the price of diesel fuel. Although CFM's privatisation was considered, official declarations in the past year exclude this possibility. A reorganisation of the company, next to massive infrastructure repairs, are among necessary measures for reviving railway transport in Moldova.

"Transnistrian Railways", in the separatist region of Transnistria, was established in 2004, after the authorities of the self-proclaimed Republica Moldovenească Nistreană declared that CFM's goods located on its territory are its property. In March 2006, railway traffic on the 42-km long Transnistrian section was ceased because Moldova cannot

ensure control in the region. Currently, the region is crossed by a single passenger train running on Moscow-Chisinau route and transit freight trains belonging to Russia and Ukraine. The export of Transnistrian freight on railways is carried out only through Moldova, bypassing the region. The authorities in Moldova and Transnistria are negotiating the reopening of border points to Ukraine for railway transport.

Background figures in railways (2009):

1,157 km length of lines

0 km electrified lines

5,187 x 1 000 passengers carried

423 x 1 000 000 passenger-km

4,415 x 1 000 tonnes carried

1,017 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	6.05	5.4
GDP growth (annual %)	8	-6
Exports of goods and services (% of GDP)	41	37
Imports of goods and services (% of GDP)	91	72
Industry, value added (% of GDP)	15	10

Ease of Doing Business Rank 2010

World	rank 94
Eastern Europe & Central Asia	rank 20



MONTENEGRO

Montenegro's economy has been broadly stable although fiscal and current account deficits remain unsustainably high. Real growth of output was sluggish over the past couple of years and probably well below the potential and below the regional average. In the meantime, there were some important privatizations (KAP and Podgoricka Banka), as well as significant inflow of foreign investments which are expected to enhance private sector led growth. This especially relates to service sectors (tourism, trade and transport) which have great potential.

Since 2007 Montenegro has received EU financial aid under the instrument for pre-accession assistance (IPA). The allocation for 2009 totals €33.3 million. Over 2007-2008, the EC supported 6 infrastructure projects, in the Social and Environment sectors, for a total amount of € 15 million.

Montenegro is a potential candidate for membership to the EU. Its European perspective was reaffirmed by the Council in June 2006 after the recognition of the country's independence by EU member states. Montenegro has profited from EU autonomous trade measures since 2000. As from 1 January 2008 access of Montenegrin products to the EU was expanded and EU exports to Montenegro have been granted trade preferences following the entry into force of the Interim Agreement. The EU is the main trading partner of the country, and also with reference to foreign direct investments, which in 2007 represent 44.2% of GDP, EU27 accounted for half of total inflows.

In the area of trans-European transport network Montenegro continues to participate actively in implementation of the memorandum of understanding, signed in 2004, for the development of the core regional transport network and in the South-East Europe Transport Observatory (SEETO). The mid-term priorities specified in the updated multi annual plan for 2008–2012 are being implemented. In addition, the transport development strategy for the period 2008–2018, harmonised with the existing land use plan, was adopted in July 2008.

The restructuring process and the division of the railway company Željeznica Crne Gore (ŽCG) is progressing in accordance with the railway

restructuring strategy adopted in September 2007. The legislative progress on rail safety culminated in the adoption of the Law on rail transport safety in December 2007, but the related by-laws have yet to be adopted.

The reconstruction of the Belgrade-Bar Railway, the main line in Montenegro, is estimated to cost EUR 340m and the call for tenders could be sent out by the end of this year. The feasibility study was composed by Italferr and financially supported by the Italian Government with EUR 1m.

Background figures in railways (2009):

249 km length of lines

168 km electrified lines

1.1 x 1 000 000 passengers carried

101 x 1 000 000 passenger-km

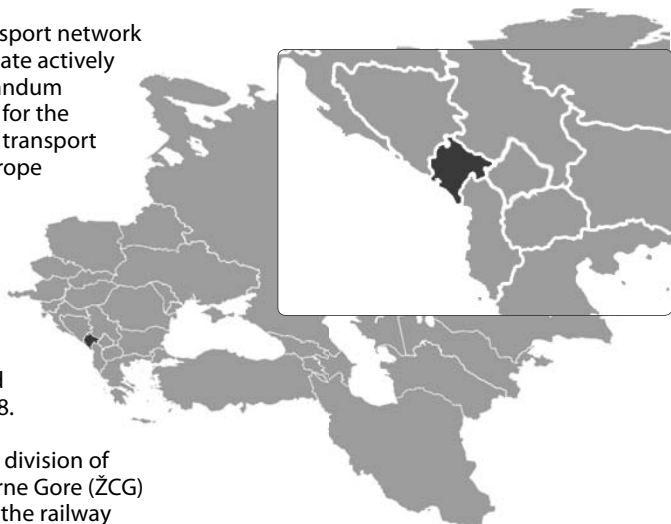
3 x 1 000 000 tonnes carried

290 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	4.51	4.08
GDP growth (annual %)	7	-7
Exports of goods and services (% of GDP)	44	34
Imports of goods and services (% of GDP)	81	59
Industry, value added (% of GDP)	20	18

Ease of Doing Business Rank 2010

World	rank 71
Eastern Europe & Central Asia	rank 15



POLAND

After five years of strong economic performance, the global financial crisis has worsened Poland's macroeconomic and fiscal outlook, but a recession has been avoided. Since late 2008, Poland has been hit by two shocks: the recession in high-income countries, which has hurt external demand for exports; and the global financial crisis, which has reduced capital inflows and thereby lowered domestic demand. The Polish economy has weathered the global economic crisis well. The response of the authorities was timely and adequate.

Poland entered the crisis in late 2008 with relatively strong economic fundamentals and a sound financial system. The authorities have taken a number of measures, including liquidity support and bank confidence restoring measures (like adopting a EUR 10 billion repo facility at the European Central Bank and strengthening household deposit insurance), and securing a US\$20.5 billion precautionary arrangement under the new IMF Flexible Credit Line (FCL).

As the fiscal policy response to the crisis was counter-cyclical, Poland is now facing a large fiscal adjustment over the medium term to stabilize the public debt-to-GDP ratio and introduce the euro by mid-2010s. The international markets responded well to the Government's handling of the crisis, and Poland maintained its access to these markets. In early May, 2009 the IMF Board approved a precautionary Flexible Credit Line, offered to countries with strong macroeconomic and financial fundamentals. In late June 2009 the World Bank Board approved the second US\$1.3 billion Development Policy Loan.

Polskie Koleje Państwowe SA Holding (Polish State-Owned Railways) includes 17 independent companies, the most important of which are PKP Polskie Linie Kolejowe SA (PKP PLK), the national railway infrastructure manager, PKP Przewozy Regionalne Sp. z o.o, responsible for railway passenger services, PKP Cargo SA, the national railway freight transport operator and PKP InterCity Sp. z o.o., company dealing with the operation of fast trains, EuroCity, InterCity, Tanie Linie Kolejowe, as well as express trains.

According to studies elaborated by the Community of European Railway and Infrastructure Companies (CER) in 2009, PKP

Cargo owns 83% of the Polish railway freight transport market. According to the same studies elaborated by CER, Poland invests EUR 8,226 per rail km every year. Apart from PKP S.A. there are also other railway operators dealing mainly with freight transport. Among them there is PTKiGK Rybnik S.A., PCC Rail Szczakowa or CTL. Except for PKP, there are few operators certified for passenger transport services, only companies operating on narrow gauge railways.

Background figures in railways (2009):

19,764 km length of lines

11,891 km electrified lines

210,721 x 1 000 passengers carried

16,454 x 1 000 000 passenger-km

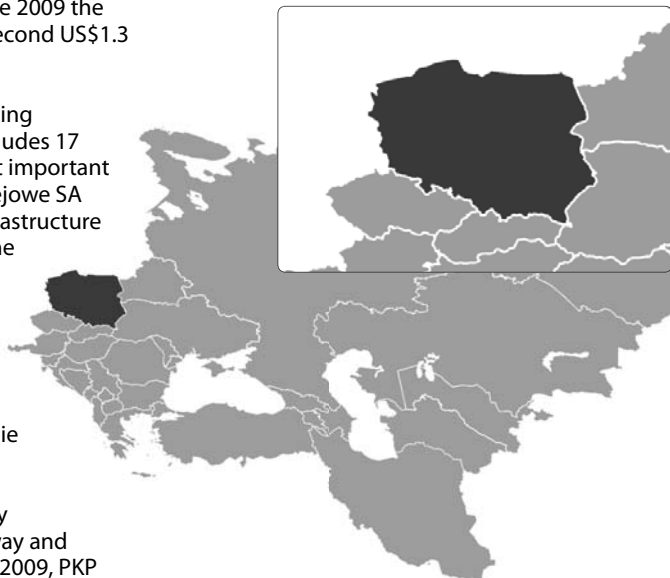
110,062 x 1 000 tonnes carried

29,940 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	528.32	430.07
GDP growth (annual %)	5	2
Exports of goods and services (% of GDP)	40	35
Imports of goods and services (% of GDP)	43	36
Industry, value added (% of GDP)	31	31

Ease of Doing Business Rank 2010

World	rank 72
Eastern Europe & Central Asia	rank 16



ROMANIA

Booms and peaks are the terms describing Romanian's economy during the last five years. The path towards sustainable growth started in 2006 with full capital liberalisation in place and a significant increase in foreign direct investment net flows has continued in 2007 with Romanian joining the EU. The economy registered a real GDP growth of 6.3% in the same year and of 7.3 % in 2008, the highest in EU, underpinned by domestic investments and credit-based consumption.

In 2008, the country picked investors interest mainly in retail and real estate, the areas where most of the EUR 9,496 million FDI net flows were directed. The construction sector, estimated at EUR 23 bn, reported the highest increase in Europe in 2008, + 30% against 2007. Currently, there is a ongoing debate about the need to establish a reindustrialisation strategy for Romania due to the fact that the industry sector is the main source of labour productivity of a country.

In March 2009, faced with the impact of the economic downturn pressuring in 2009 on the national budget, the government agreed a EUR 12.95 billion stand-by agreement with the International Monetary Fund (IMF) as a part of broader external aid package worth EUR 19.95 billion. As part of the agreement EBRD will invest EUR 1 billion in Romania over 2009 and 2010. In turn, Romania has to apply series of structural reforms.

The first radical step in restructuring the railway institutional system in Romania was the separation of the infrastructure manager, freight and passenger operators in 1998. SNCFR was given a residuary authority status and was divided into 5 independent companies, including: CFR SA (infrastructure manager), CFR Calatori (passenger operator) and CFR Marfa (freight operator).

Romania benefits from EUR 5.7 bn under the Structural and Cohesion Funds until 2013, allocated for the transport sector as specified in the Sectoral Operational Programme - Transport 2007 - 2013. Specifically for railway infrastructure and acquisition of new rolling stock projects, other important sources of financing have been the EBRD (EUR 94.5 million), the EIB (more than EUR 1 billion between 2000 - 2010) and JBIC (over EUR 500 million). Once the pan-European Corridors were

defined, in Romania the main priority in terms of infrastructure has become the reconstruction of the domestic sections of Corridors IV (392 km) and IX (595 km).

In 2006, Romania ranked 3rd among EU 27 in performing tram and metro passenger-km per inhabitant (317). Rail-based public transport covers a network of 896 km (single track), in 13 cities (Arad, Botosani, Braila, Bucharest, Cluj-Napoca, Craiova, Galati, Iasi, Oradea, Ploiesti, Resita, Sibiu, Timisoara). Bucharest is the only city in Romania with an underground transport system.

Background figures in railways (2009):

10,776 km length of lines

4,002 km electrified lines

70,332 x 1 000 passengers carried

6,128,195 x 1 000 passenger-km

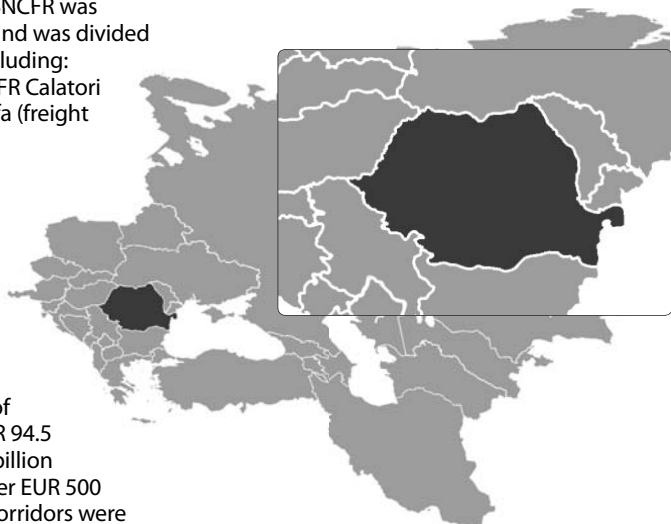
50,596 x 1 000 tonnes carried

9,962,972 x 1 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	200.07	161.11
GDP growth (annual %)	9	-8
Exports of goods and services (% of GDP)	31	33
Imports of goods and services (% of GDP)	44	40
Industry, value added (% of GDP)	25	26

Ease of Doing Business Rank 2010

World	rank 55
Eastern Europe & Central Asia	rank 12



RUSSIAN FEDERATION

Russia's economy benefits from raw materials exports now more than ever (around 80% of total exports). However, this makes it vulnerable to the price fluctuation on the external market. Russia ranks 2nd in oil production and 1st in natural gas production, maintaining the same positions in the exports of these resources. Russia is EU's third economic partner, after the US and China, especially due to the significant Russian exports and natural gases. In turn, EU is Russia's most important economic partner.

Railway transport remains the most important mode of transport in Russia even if it lost half the traffic volume after the fall of the USSR. RZD has been a joint stock company since 2003 – OAO. The railway reform has been elaborated since 2001. The first phase included the transformation of the former Ministry of Railways into the Federal Agency of Railways and the establishment of RZD. The second phase, initially scheduled to be finalized in 2005, but still underway, aims to separate several branches in charge with passenger transport, goods transport or non-core activities, as well as give up crossed subsidies.

In 2007, RZD's strategy by 2030 planned the investment of up to RUB 13 Trillion and the intensification of public-private partnerships. Ratified by the government in June 2008, the infrastructure development strategy includes a first phase, 2008-2015, focused on developing current capacities, renewal, modernisation and creation of freight-dedicated corridors, while the second phase includes a massive programme for the extension of the current network.

The high-speed networks RZD plans include the upgrading of existing lines (11,000 km of line) to enable speeds of 160-200 km/h and building new lines for maximum operational speeds of up to 350 km/h. The considered routes are St Petersburg – Moscow (estimated time 2 h 30 min), Moscow - Nizhny Novgorod (1 h 40 min), Moscow – Smolensk – Krasnoe (2 h). In what concerns international corridors, RZD focuses on improving the Trans-Siberian and building the North-South Corridor.

North Caucasian Railways plans to increase the modernisation investment level up to EUR 920 Million in 2009 in the wake of the 2014 Winter Olympic Games, held in Sochi. It is also planned to build in parallel a switchyard

at Novorossiysk and rehabilitate Krymskaya Station (Krymsk city). The construction of Adler - Krasnaya Polyana line began in 2008.

Russia wants to build 40 large capacity intermodal terminals by 2015, especially around Moscow (Kuntsevo, Kursk, Belyi Rast), Leningrad (Shushary), Yekaterinburg, Nizhny Novgorod, Novosibirsk etc. Plans also include line construction to 18 industrial areas with a total length of 4,600 km.

Background figures in railways (2009):

85,194 km length of lines

43,086 km electrified lines

1,133,000 x 1 000 passengers carried

153,500 x 1 000 000 passenger-km

1,107,600 x 1 000 tonnes carried

1,865,900 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	1,667.598	1,230.725
GDP growth (annual %)	6	-8
Exports of goods and services (% of GDP)	31	30
Imports of goods and services (% of GDP)	22	20
Industry, value added (% of GDP)	37	-

Ease of Doing Business Rank 2010

World	rank 120
Eastern Europe & Central Asia	rank 24



SERBIA

Serbia is a potential candidate country for EU accession following the Thessaloniki European Council of June 2003. On 22 December 2009, Serbia submitted its application for EU membership. The EU is the main trading partner of Serbia and EU-Serbia trade has been rapidly growing since 2000. During 2009, exports and imports of goods and services to and from the EU stabilised at 54% of the country's total exports and 54% of its total imports.

Serbia has a large trade deficit with the EU: in 2007, its exports to the EU amounted to €5.5 billion and its imports from the EU to €10.2 billion. Serbia mainly sold agricultural products, tires, iron, steel and machinery to the EU while the main goods bought from EU were vehicles, diesel fuels and medicaments.

Serbian Railways (Zeleznice Srbije) is a state owned company, in charge with carriage of passengers and goods, hauling the trains and maintenance of traction units, trains and rolling stock, track maintenance and inspection, maintenance and assembling of devices, plants and installations, etc.

The EBRD is supporting modernisation of rail operations in Serbia with a €100 million sovereign guaranteed loan to Zeleznice Srbije to finance the upgrade of Corridor X rail and the purchase of locomotives. The EBRD loan will be used to renew over 111 km of track on Corridor X, to purchase track maintenance machinery and to acquire 15 new electric locomotives, which will replace outdated cars for freight services.

This project, supported by €650,000 in technical assistance grants from the Central European Initiative, German government and the Bank's Shareholder Special Fund, will also support Zeleznice Srbije in its restructuring process, implementation of this project and the development of various energy efficiency initiatives.

Completion of the construction and modernization of the international traffic Corridor X through Serbia is considered as an absolute priority. The deadline for completion of the north shank of Corridor X, from Belgrade to Subotica is May 1, 2012. Discussions are underway on a new credit in the amount of 200 million euros for modernization of railway line Belgrade – Subotica, as well as that in the following few

months the works on the electrification of the railway line from Niš do Dimitrovgrad will begin.

In terms of urban transport, Belgrade expects an agreement with the French Government on the donation worth around EUR 50 Million for the project of Belgrade Metro. The financial plan for the project will be disclosed after the study for the project is concluded and the works will be launched either in 2012 or in 2013. The Belgrade Metro will be an independent rail system, meaning that it will not intercept the routes of other means of transport.

Background figures in railways (2009):

3,809 km length of lines

1,254 km electrified lines

8,385 x 1 000 passengers carried

590 x 1 000 000 passenger-km

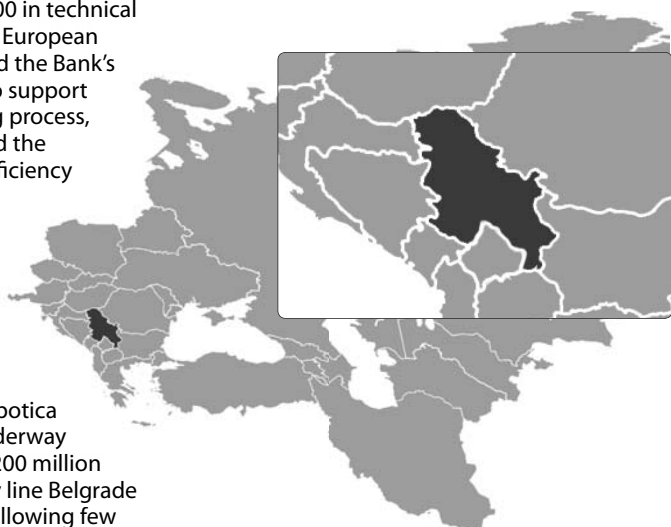
10,419 x 1 000 tonnes carried

2,968 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	48.8	42.59
GDP growth (annual %)	5	-3
Exports of goods and services (% of GDP)	30	27
Imports of goods and services (% of GDP)	54	42
Industry, value added (% of GDP)	28 (2007)	-

Ease of Doing Business Rank 2010

World	rank 88
Eastern Europe & Central Asia	rank 19



SLOVAKIA

The Slovak Republic became the second transition country to join the eurozone in January 2009, despite the global financial crisis. GDP growth has averaged 7.4 per cent in the last five years, combined with sound public finances and large inflows of foreign direct investment (FDI). The country is now experiencing the brunt of the economic downturn as a result of its dependence on the EU market for its exports of mainly cars and consumer electronics. GDP contracted by 5.6 per cent and 5.3 per cent year on year in the first and second quarters of 2009 (following growth of 6.4 per cent in 2008). By the middle of the year there were indications that economic activity was stabilising, albeit gradually.

The favourable economic environment before eurozone entry had enabled a reduction in the general government deficit to 2.2 per cent of GDP and lowered the public debt ratio to 28 per cent of GDP by the end of 2008. However, in response to the crisis, the government introduced a range of stimulus measures in late 2008 and early 2009, including inter alia: temporary tax reductions, measures to improve the liquidity of enterprises, a car scrapping scheme, as well as steps to accelerate the utilisation of EU funds.

In railways, operating and policy setting functions have been separated and core railway businesses (infrastructure, passenger, freight, etc.) have been unbundled, while ancillary services have been divested. In June 2004, the government split the public railway company, Zeleznica Spolocnost (ZSSK), into two entities in charge of passenger and freight transport, and was planning the privatisation of the freight company. However, the Government has since decided not to pursue the privatisation of a 100 per cent stake in the freight company ZSSK Cargo. Instead, the government in June 2008 announced its plan to merge the freight operator with the Czech freight operator CD Cargo. Together the two companies would rank in second place with Polish PKP and behind Deutsche Bahn in terms of market share in the EU. The Czech government would wish for the merger to lead to the eventual privatisation of the entity, but the Slovak government opposes any move in that direction.

On 25 November 2008, a tripartite memorandum of understanding was signed between Russia, Ukraine and Slovakia on the construction of a broad gauge line to the Austrian border. On 30 April 2009, Austrian chancellor Werner Faymann announced that his government politically supports the construction of a broad gauge line from the Austro-Slovak border to Vienna. According to preliminary estimates, the cost of the project could exceed EUR 4.7 Billion.

Background figures in railways (2009):

3,623 km length of lines

1,577 km electrified lines

45,135 x 1 000 passengers carried

2,247 x 1 000 000 passenger-km

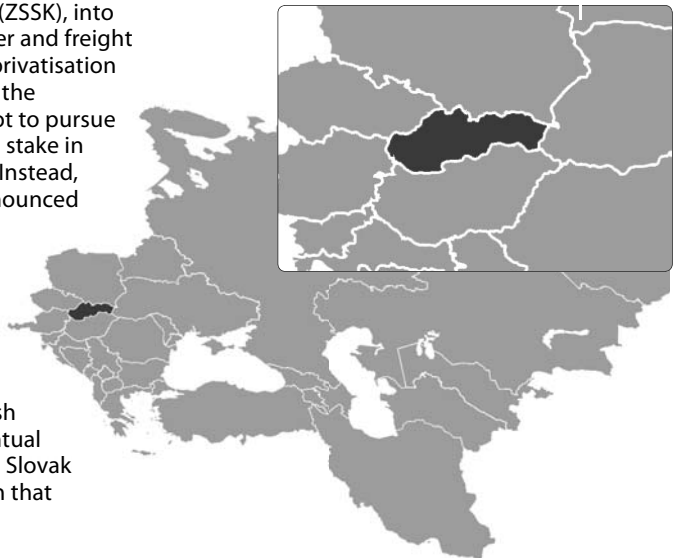
33,789 x 1 000 tonnes carried

6,485 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	98.46	87.64
GDP growth (annual %)	6	-6
Exports of goods and services (% of GDP)	83	99
Imports of goods and services (% of GDP)	85	104
Industry, value added (% of GDP)	38	35

Ease of Doing Business Rank 2010

World	rank 42
OECD	rank 20



SLOVENIA

With about 70 per cent of economic activity until now generated by the private sector, significant price liberalisation, an open foreign trade regime and no major constraints to foreign investment, Slovenian economic structures have approached those of more mature market economies. Slovenia was the first transition country to join the eurozone in January 2007.

Following years of uninterrupted growth, Slovenia was one of the worst affected central European countries by the international economic and financial crisis due to the collapse of external trade. It is estimated that Slovenian real GDP contracted by 7.8 per cent in 2009. Growth in previous years had been to a large extent fuelled by a rapid increase in investments and exports.

Although some indicators suggest a turnaround is in sight, the economy continued to be in recession through the first quarter of 2010. Domestic demand will be constrained by the continuing high level of unemployment, by the still restricted availability of credit for investment and by the required fiscal consolidation in the years ahead. The government responded to the crisis with several support packages aimed at providing liquidity to troubled firms, increased investment for infrastructure projects, and subsidies for employment.

Slovenske železnice (SŽ), Slovenian Railways, is the national company in charge with infrastructure, passenger and freight transport and services. Slovenia is crossed by Pan European Corridors 5 and 10, intersecting in Ljubljana.

Cargo 10, the new joint venture between Slovenian, Croatian and Serbian railway companies, will be headquartered in Ljubljana, Slovenia. All documents have been adopted and approved by the three governments and the first train is expected to depart from Ljubljana train station on October 1. Cargo 10 is expected to pace up border crossing procedures, thus significantly cutting the cargo transport from Ljubljana to Istanbul, Turkey. Slovenian, Serbian and Croatian railway operators will each hold a third of the joint company and the profit will also be divided among the three of them. Each operator will provide 5% of its trains for Cargo 10 and no major infrastructure investments are planned at the beginning.

The first confirmed railway project in the programming period 2007-2013, as part of which Slovenia is eligible for EUR 4.2bn of EU funds, is the reconstruction and modernisation of the 26.4 km railway link between the port of Koper and the railway hub Divaca. The project worth around EUR 130m will receive EUR 68m from the cohesion funds. The railway section is part of the sixth priority project of the TEN-T - the railway axis Lyons-Trieste-Divaca/Koper-Divaca-Ljubljana-Budapest-Ukrainian border.

Background figures in railways (2009):

1,228 km length of lines

503 km electrified lines

16,355 x 1 000 passengers carried

840 x 1 000 000 passenger-km

13,097 x 1 000 tonnes carried

2,668 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	54.39	48.47
GDP growth (annual %)	3	-8
Exports of goods and services (% of GDP)	68	59
Imports of goods and services (% of GDP)	71	57
Industry, value added (% of GDP)	34	-

Ease of Doing Business Rank 2010

World	rank 53
Eastern Europe & Central Asia	rank 11



TURKEY

Member of OECD, Turkey's economy is one of the first 20 in the world. The Turkish economy, although on the increase in the last years mainly due to investments, is still affected by a significant current account deficit and huge external debts. Future economic and legal reforms are expected. Next to the prospected EU accession, this will help Turkey attract important foreign investments.

The World Bank refers to Turkey as an Upper Middle Income country with a GDP of USD 11,900 per capita (2008). The country gets energy from hydroelectric power plants and steam power plants (due to the significant reserves of lignite and coal in North-Western Anatolia). However, 90% of Turkey's fuel necessary is ensured by exports.

Turkish Railways, TCDD, is a state-owned company and controls the entire Turkish railway system, infrastructure management and train operation. TCDD also holds companies specialized in different rail industry branches. TCDD has taken over the ports built by the companies that had also built the first railways and continued establishing other ports as well. Discussions on railway reforms began in 2001 with the World Bank which provided consultancy and financial support. TCDD restructuring includes two aspects: railway reforms and the separation and concession of ports.

Marmaray project will link the railway networks in Europe and Asia Minor. 76 km of rail line will connect Halkali on the European side of the city with Gebze in Asia. Today's deadline for operation is 2013. The project costs, estimated at EUR 2.3 Billion, have been covered by the state budget, EIB and JBIC.

Ankara-Istanbul high-speed line, the other major rail project underway in Turkey, requires the construction of a new line, separated from the existing railway. The line will be 533-km long and will cross cities such as Esenkent, Eskisehir, Vezirhan, Gebze. The first section, between Ankara and Eskisehir, was placed into service in March 2009. Another high-speed railway line part of the plans aimed to create a high-speed network in Turkey is Ankara-Konya. Construction works are underway.

Baku-Tbilisi-Kars line includes the construction of 68 km in Turkey, from Kars to the Georgian border. Costs of the Turkish section are estimated at USD 220 Million. Construction works were initiated in 2007.

Urban railway infrastructure also benefits from important foreign investments, such as the EIB loans for the tram lines in Antalya, Samsun and Bursa or the 2007 EUR 150 Million loan allocated for the rehabilitation of the suburban network in Izmir. Following an agreement in 2008, Istanbul Metro will also benefit from a EUR 700 Million loan.

Background figures in railways (2009):

8,686 km length of lines

1,919 km electrified lines

80,092 x 1 000 passengers carried

5,374 x 1 000 000 passenger-km

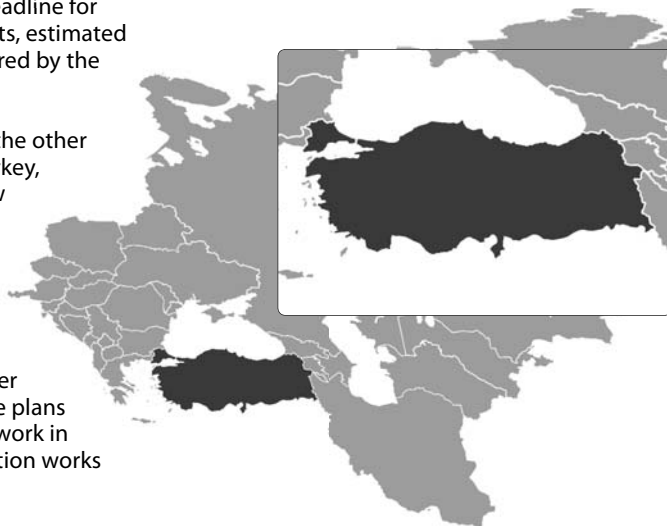
21,270 x 1 000 tonnes carried

10,163 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	734.85	617.09
GDP growth (annual %)	1	-5
Exports of goods and services (% of GDP)	24	23
Imports of goods and services (% of GDP)	28	24
Industry, value added (% of GDP)	28	28

Ease of Doing Business Rank 2010

World	rank 73
Eastern Europe & Central Asia	rank 17



TURKMENISTAN

Since 1991, Turkmenistan has adopted a cautious approach to economic reforms and it has recently made some progress. At the beginning of 2007, a program of reforms has been initiated in the social, hydrocarbon, financial and industrial sectors with the aim to achieve strong and sustainable economic growth by integrating Turkmenistan into the international economy and to improve job creation and the living standards of the population.

Steps have been initiated to improve business environments conducive to foreign investors as well as small and medium enterprises. To attract foreign direct investment, the authorities adopted and implemented the new Foreign Investment Law that brings Turkmenistan's investment regime closer to the international best practices. As a result a number of international oil and gas companies have started exploring opportunities in the country. To facilitate international trade, the authorities have modestly liberalized international trade by reducing import duty and excise taxes.

The global economic crisis has had limited impact so far on relatively isolated, gas-rich Turkmenistan. Growth was strong in 2008, fuelled by large public investments funded with booming hydrocarbon revenue. The current account surplus continued to increase, thus allowing Turkmenistan to rapidly accumulate its international reserves. However, growth slowed to 6.1 percent in 2009 according to the official statistics because disputes over the contract prices for gas halted gas export to Russia for nine months after the explosion of the gas pipeline in April 2009.

The railway network of Turkmenistan is constituted essentially by its principle axis, running from east to west through all the country, and by some secondary lines. The principal line, originated from the historical Transcaspian line which was the first railway line in the whole Central Asia, connects the port of Turkmenbashi, on the shore of the Caspian sea, with the capital Ashgabat and continues then to Mary and to Turkmenabat, towards the border with Uzbekistan.

In the last years important projects of modernization and enlargement of the railway network of the country have been started. In

1996 the new section connecting Tedjen, on the line Ashgabat-Turkmenabat, to Serakhs, near the Iranian border, has been already completed. The opening of this section made possible the connection of the Turkmen railway network with the Iranian network.

Another project of great importance already in course of construction is the realization of the new railway line that crossing the Karakum desert will connect Ashgabat directly to Dashoguz, in the north of the country. In this case the opening of the new line will make possible the creation of a new axis north-south in the railway network of the country. (www.turkmenistan.it)

Background figures in railways (2009):

3,095 km length of lines

0 km electrified lines

6 x 1 000 000 passengers carried

1,685 x 1 000 000 passenger-km

25 x 1 000 000 tonnes carried

11,547 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	17.01	19.94
GDP growth (annual %)	10	8
Exports of goods and services (% of GDP)	73	76
Imports of goods and services (% of GDP)	46	46
Industry, value added (% of GDP)	54	54



UKRAINE

The World Bank refers to Ukraine as a lower middle-income country, but with a high economic potential due to specialized work force, access to resources and strategic location. During 2000-2007, Ukraine had a 7% average annual economic growth. However, an incoherent macro-economic policy and an uncontrolled fiscal and monetary regime have left Ukraine exposed to the 2008 economic downturn which has massively affected the country.

The Ukrainian authorities and IMF negotiated a 24-month Stand-By Arrangement (SBA) for USD 16.4 billion (EUR 11.5 billion). This was approved in November 2008. By July 2009, USD 10.6 billion was paid out. In July 2010, Ukraine reached an agreement with the International Monetary Fund for a new \$14.9 billion loan.

In the area of establishment and company law, a law on joint stocks companies entered into force in April 2009. In December 2009 the Government adopted a law on simplifying business conditions in Ukraine. It aims in particular at facilitating the establishment and development of companies by easing the issuance of permits and reducing the quantitative requirements for the statutory capital of limited liability companies.

Ukrainian Railways Ukrzaliznytsia (UZ) is an 100% state-owned company which manages both infrastructure and train operation. It is a centralised company established in 1991, after Ukraine proclaimed its independence from the USSR. The company also holds several facilities for railway equipment manufacturing and overhaul.

A railway reform programme for the period 2010-2015 was approved in December 2009. It foresees three phases: separation of the government's regulatory function from the operational function of the national state-owned railway company; transformation of the same company into a joint-stock company; and division of different market segments.

Ukraine's plans in passenger transport aim at building high-speed lines having as grounds the long distances between important cities. On short-term, Ukraine plans significant improvements in the wake of the 2012 Football Championship hosted in collaboration with Poland.

In 2003, the biggest loan EBRD had ever granted to Ukraine, USD 120 Million, was invested in the

modernisation of railways and was structured on three aspects: carrying on the purchase of maintenance equipments begun with the 2001 loan, purchasing passenger coaches and rebuilding the Beskyd tunnel.

In the railway sector, Ukraine is also negotiating with the World Bank for a bigger loan focused on two directions, one for technical consultancy for reshaping UZ into a joint stock company and the second for rehabilitating line Kharkiv-Poltava-Mykolaiv-Dzhankoy and eventually turn it into a freight-dedicated line. The line connects the north border with Russia to the Black Sea. EBRD will also contribute in the project.

Background figures in railways (2009):

21,678 km length of lines

9,756 km electrified lines

420,029 x 1 000 passengers carried

48,323 x 1 000 000 passenger-km

391,524 x 1 000 tonnes carried

196,189 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	180.35	113.54
GDP growth (annual %)	2	-15
Exports of goods and services (% of GDP)	42	51
Imports of goods and services (% of GDP)	48	52
Industry, value added (% of GDP)	37	52

Ease of Doing Business Rank 2010

World	rank 142
Eastern Europe & Central Asia	rank 25



UZBEKISTAN

In contrast with the majority of the CIS countries, Uzbekistan has adopted a "gradual" approach to transition and state-led development aimed at import substituting industrialization and energy and food self sufficiency. This approach resulted in a less painful economic and social transition than experienced in most countries of the CIS and, in recent years, strong macroeconomic performance.

The government's approach has relied heavily on the use of state controls, planning and direct interventions in many sectors of the economy, foreign exchange and trade restrictions, directed and sometimes subsidized credits to selected sectors, and large public investments. Uzbekistan made progress in increasing self-reliance in both energy and foodstuffs, and has been pursuing a policy of "localization," i.e. encouragement and protection of domestic production. In recent years this policy appears to have been successful in increasing value added in industry from 14% of GDP in 2001 to 22% in 2008.

The consolidated fiscal position has strengthened in 2008, supported by strong revenue from the commodity sector, in particular due to an increase in gold prices and large increases in export prices of gas negotiated with Uzbekistan's main gas buyer. A budget surplus was achieved despite the government's deliberate policy of reduction of tax burden on the non-commodity sector.

Despite strong growth of exports in 2002-08, the government continues to administratively manage and discourage imports (especially of consumer goods) through restrictions on convertibility, high tariff/non-tariff protection and restrictive trade regulations. Although Uzbekistan entered into the global financial and economic crisis with a limited financial vulnerability and strong national fiscal and external position, the country is still feeling the effects as it is linked to global markets through three channels: capital, products, and labor. In late 2008 and during 2009 the government of Uzbekistan adopted and started implementing its anti-crisis program of measures for 2009-2012 estimated at around 4% of GDP.

State Joint-Stock Railway Company "Temir Yollari" was founded on November 7, 1994 on the basis of the former Central Asian Railway, located on the territory of the Republic of Uzbekistan. At present the structure of the

company reformed radically. Particular attention is given to privatization of individual regions.

Uzbekistan carries on intensive construction of new railway lines, such as the direct railway line from Karshi to Termez via Guzar, Baysun, and Kumkurgan. Tashkent - Samarkand railway line has been fully reconstructed and electrified too. The construction of the 130 km railway branch line Angren - Pap through the long and hard-to-build tunnel under Kamchik mountain pass will provide for the outlet to Fergana Valley.

Background figures in railways (2009):

4,230 km length of lines

589 km electrified lines

15 x 1 000 000 passengers carried

2,632 x 1 000 000 passenger-km

79 x 1 000 000 tonnes carried

24,238 x 1 000 000 tonne-kilometres

Economics	2008	2009
GDP (current billions US\$)	27.91	32.81
GDP growth (annual %)	9	8
Exports of goods and services (% of GDP)	42	40
Imports of goods and services (% of GDP)	32	32
Industry, value added (% of GDP)	31	32

Ease of Doing Business Rank 2010

World	rank 150
Eastern Europe & Central Asia	rank 26

