

EXIMIUS:

EXPORT ADVANTAGE



June 2007

 EXPORT-IMPORT BANK OF INDIA
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A Quarterly Publication

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African Region: Recent Economic Developments and Prospects

In recent years, underpinned by continued world economic growth and sustained demand for gas and oil, as also for other products of the extractive industries such as minerals and metals, the African region has witnessed sustained rise in economic activity. This in turn has benefited a number of resource-rich African economies in providing a boost to their economic activities and growth. Considerable progress has been achieved through improved macro-

economic management, market-based reforms and continued structural progress in many African countries. This has resulted from the commitments of many African governments to prudent fiscal, monetary and exchange rate policies.

According to the International Monetary Fund (World Economic Outlook, April 2007), real GDP growth for the region was sustained at a robust 5.6% in 2005, the highest in almost a decade, before decreasing marginally to 5.5% in 2006. Underlying the pickup in growth has been the strength of the global economy, including higher oil and commodity exports, improved macroeconomic stability, and the ending of several protracted armed conflicts. Real GDP growth of the African region is projected to accelerate to 6.2% in 2007, before slowing to 5.8% in 2008 (Table 1).

Country specific developments have also boosted overall developments in the region. These positive developments include new production facilities in Angola and Equatorial Guinea, large increases in oil production in Chad, growth in non-oil GDP in Nigeria by an average of 8% over the past three years, and recovery in agricultural output in Ethiopia and Rwanda. Further, structural reforms have also contributed to the resilience of the region, resulting thereby in moderate inflation in many countries in the region. After a strong expansion in 2006, growth in oil-importing countries is projected to ease this year, driven largely by developments in South Africa, where tighter monetary policy is expected to slow domestic demand.

Table 1: Real GDP Growth & Inflation in Select African Countries

	Real GDP Growth (%)				Consumer Prices (%)			
	2005	2006	2007 ^f	2008 ^f	2005	2006	2007 ^f	2008 ^f
Africa	5.6	5.5	6.2	5.8	8.4	9.5	10.7	10.4
Maghreb	4.0	4.5	4.4	5.0	1.5	3.1	4.0	4.1
Algeria	5.3	2.7	4.5	4.1	1.6	2.5	5.5	5.7
Morocco	1.7	7.3	3.5	5.8	1.0	3.3	2.0	2.0
Tunisia	4.0	5.3	6.0	6.0	2.0	4.5	3.0	2.9
Sub-Sahara	6.0	5.7	6.8	6.1	10.5	11.5	12.7	12.2
Cameroon	2.0	3.5	4.0	4.1	2.0	5.3	1.5	1.9
Cote d'Ivoire	1.5	1.4	1.7	3.3	3.9	1.6	2.0	3.0
Ghana	5.9	6.2	6.3	6.9	15.1	10.9	9.4	8.8
Nigeria	7.2	5.3	8.2	6.7	17.8	8.3	7.9	9.1
Sudan	8.6	12.2	11.1	10.2	8.5	7.2	9.2	6.0
Congo, DR	6.5	5.1	6.5	6.9	21.4	13.2	17.4	8.9
Kenya	5.8	6.0	6.2	5.8	10.3	14.1	4.1	3.5
Tanzania	6.8	5.9	7.3	7.6	4.4	5.8	5.5	5.0
Uganda	6.7	5.4	6.2	6.5	8.0	6.6	5.8	4.2
Angola	20.6	15.3	35.3	16.0	23.0	13.3	10.2	5.9
Ethiopia	10.3	10.6	6.5	6.6	6.8	12.3	17.0	12.9
Zimbabwe	-5.3	-4.8	-5.7	-3.6	237.8	1,016.7	2,879.5	6,470.8
South Africa	5.1	5.0	4.7	4.5	3.4	4.7	5.5	4.9

^f -forecast

Source: IMF, World Economic Outlook, April 2007

In the Sub-Saharan region, combined real GDP growth stood at 5.7% during 2006, and is projected to rise to 6.8% in 2007 before falling to 6.1% in 2008, boosted by sustained growth in commodity-rich countries. Inflation rate has also moderated in the region, although inflation in Congo DR, Ethiopia and Zimbabwe remains an area of concern. Countries which have registered strong growth include Angola, Sudan, Ethiopia, Ghana, Kenya, Tanzania, Uganda and Nigeria.

In the Maghreb region, economic activity has accelerated represented by a growth rate of 4.5% in 2006, as compared with 4.0% in 2005. Robust economic activity in Morocco and Tunisia boosted overall growth in the region. The outlook for the Maghreb region remains positive notwithstanding an expected slowdown in output growth during 2007.

Regional Trading Arrangements in Africa

Since the early 1990s, many countries in Africa have made significant progress in opening up their economies to external competition through trade and exchange rate liberalisation. At the same time, with creation or expansion of a number of important regional trading arrangements in other parts of the world, there has been a revival of interest among policy makers in Africa in regional integration, resulting in the establishment or renewal of such arrangements in Africa.

Major trading arrangements in Africa include:

- Common Market for Eastern and Southern Africa (COMESA)
- Southern African Development Community (SADC)
- Southern African Customs Union (SACU)
- West African Economic and Monetary Union (UEMOA)
- Economic Community of West African States (ECOWAS)
- Central African Customs and Economic Union (UDEAC)
- Economic Community of Central African States (ECCAS)
- East African Community (EAC)
- Cross Border Initiative
- Economic and Monetary Community of Central Africa (CEMAC)

- Economic Community of the Countries of the Great Lakes (CEPGL)
- Indian Ocean Commission
- Mano River Union (MRU)

These trading arrangements are envisaged to foster trade and investment relations amongst member countries by removal of tariffs and other impediments to intra-regional trade flows. In some cases, the arrangement also aims at fostering common economic and monetary union amongst member states, as also a common currency. The success of these arrangements in fostering intra-regional trade has been diverse, with COMESA, ECOWAS and SADC being the more successful ones (Table 2).

As can be seen from the table below, SADC, ECOWAS, COMESA, Cross Border Initiative and UEMOA have been the most successful in terms of enhancing trade within

the member countries. In the case of SADC, intra-bloc exports have risen four-fold, from US\$ 1.6 bn in 1990 to as high as US\$ 6.4 bn in 2005, accounting for 7.7% of the total blocs exports. In the case of ECOWAS, intra-bloc exports have risen from US\$ 1.6 bn in 1990 to US\$ 5.7 bn in 2005, accounting for 9.5% of the bloc's total exports in 2005.

COMESA's intra-bloc exports have also risen from US\$ 963 mn in 1990 to US\$ 3.3 bn in 2005, accounting for 5.9% of the bloc's total exports. In the case of Cross Border Initiative, intra-regional exports have increased almost three-fold from US\$ 613 mn in 1990 to more than US\$ 1.9 bn in 2005 accounting for 14% of the bloc's total exports during the same year. In UEMOA, intra-bloc exports rose from US\$ 621 mn in 1990 to US\$ 1.4 bn in 2005, accounting for 13.4% of the bloc's total exports.

Table 2: Regional Trade Blocs in Africa

A. Merchandise Exports within Blocs

(US\$ mn)

	1990	2000	2001	2002	2003	2004	2005
CEMAC	139	97	118	136	148	176	201
CEPGL	7	10	11	13	15	19	22
COMESA	963	1653	1819	2031	2436	2849	3330
Cross Border Initiative	613	1166	1070	1373	1536	1705	1913
EAC	230	595	664	685	706	750	857
ECCAS	163	191	203	199	198	238	272
ECOWAS	1557	2835	2371	3229	3140	4499	5673
Indian Ocean Commission	73	106	134	105	179	155	159
MRU	0	5	4	5	5	6	6
SADC	1630	4282	3771	4316	5377	6384	6384
UDEAC	139	96	117	134	146	174	198
UEMOA	621	741	775	857	1076	1233	1390

B. Merchandise Exports within Blocs

(% of total bloc exports)

	1990	2000	2001	2002	2003	2004	2005
CEMAC	2.3	1.1	1.4	1.5	1.4	1.3	0.9
CEPGL	0.5	0.8	0.8	0.9	1.2	1.2	1.3
COMESA	6.6	6.1	7.9	7.4	7.4	6.8	5.9
Cross Border Initiative	10.3	11.8	11.5	14.5	13.0	13.8	14.0
EAC	13.4	20.5	21.4	19.3	18.2	16.6	15.0
ECCAS	1.4	1.1	1.3	1.1	1.0	0.9	0.6
ECOWAS	7.9	7.9	8.5	10.9	8.6	9.4	9.5
Indian Ocean Commission	4.1	4.4	5.6	4.3	6.2	4.3	4.6
MRU	0.0	0.4	0.3	0.2	0.3	0.3	0.3
SADC	17.0	9.3	8.6	9.5	9.8	9.5	7.7
UDEAC	2.3	1.0	1.4	1.4	1.4	1.2	0.9
UEMOA	13.0	13.1	12.7	12.2	13.3	12.9	13.4

Source: World Development Indicators 2007, World Bank

Table 3: India's Trade with Africa

US\$ mn

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Exports	2360.2	2895.8	3137.9	3861.7	5578.4	7158.9
% change	24.3	22.7	8.4	23.1	44.5	28.3
Imports	2063.3	2615.2	3444.4	3202.1	4006.4	4684.1
% change	-68.8	26.7	31.7	-7.0	25.1	16.9
Total Trade	4423.5	5511.1	6582.3	7063.8	9584.8	11843.0
Trade Balance	296.9	280.6	-306.4	659.6	1572.0	2474.9

Source : Directorate General of Commercial Intelligence & Statistics (DGCIS), Ministry of Commerce and Industry (MOCI), Government of India

Note : Imports data do not include oil imports

Trends in Indo-African Trade and Investment Relations

Recent trends in Indo-African trade and investment relations attest to the synergy that exists between the two regions, and the potential to further enhance commercial relations.

Trends in Total Trade

Synergy that exists between India and Africa can be gauged from the fact that bilateral trade has risen to as much as US\$ 11.8 bn in 2005-06 from US\$ 967 mn in 1990-91 (Table 3). India's exports to Africa have reached US\$ 7.2 bn in 2005-06 from a relatively low figure of US\$ 394 mn in 1990-91. As a result, the share of Africa in India's total exports has risen from a marginal 2.2% in 1990-91 to a healthy 6.9% in 2005-06. Concomitant rise in imports from Africa during the comparable period attest to increased two-way trade relations, wherein India's imports from Africa have risen from US\$ 573 mn in 1990-91 to US\$ 4.7 bn in 2005-06, with a resultant 3.1% share in India's total imports, up from 2.4% share in 1990-91.

During the year 2005-06, India's exports to Africa registered a significant rise of 28.3% to reach US\$ 7.2 bn, from US\$ 5.6 bn during the previous year, mainly due to rise in export of petroleum products and transport equipments. India's imports from Africa, also increased in 2005-06 to US\$ 4.6 bn, from US\$ 3.2 bn during the previous year, a rise of 16.9% due to increase in imports of inorganic chemicals, cashew nuts, coal coke & briquettes and iron & steel. Consequently, India's trade surplus with Africa rose sharply from US\$ 1.6 bn in

2004-05 to US\$ 2.5 bn in 2005-06, due to higher export earnings.

The African region is an important source for India's imports of several items. South Africa is now third largest source, after Switzerland and Australia, for India's gold imports accounting for 15% (US\$ 1.6 bn) of India's total gold imports (US\$ 10.7 bn) during 2005-06. Morocco, Senegal, and South Africa were the three largest sources of India's global imports of inorganic chemicals, accounting for 16.1%, 12.5% and 8.2%, respectively, of India's total imports of inorganic chemicals (US\$ 2.2 bn) during 2005-06.

In cashew nuts, Cote d'Ivoire, Guinea-Bissau, and Tanzania are the three largest sources for India's global imports. During 2005-06, these three countries accounted for 24.3%, 20.3% and 12.1%, respectively, of India's total cashew nuts imports (US\$ 471.9 mn). Further, Cote d'Ivoire, Gabon, and Ghana are among the top ten largest sources for India's import

of wood and wood products, during the same year.

Bilateral Trade during April-February, 2006-07

Trends in Indo-African trade have registered sustained growth during the year 2006-07. During the first eleven months (April-February) of 2006-07, India's exports to Africa rose sharply by 52.4% to US\$ 7.3 bn, from US\$ 4.8 bn during the corresponding period of the previous year. During the period April-February 2006-07, India's import (incl. crude oil & petroleum products) from Africa stood at US\$ 10.4 bn.

India's Investments in Africa Region

In recent years, besides being major recipients of global foreign direct investment (FDI) inflows, India is emerging as an important global investor with increasing overseas investments in target markets. According to data from the Ministry of Finance, Government of India, approved cumulative India's investments in Africa during April 1996 to October 2006 amounted to US\$ 3.7 bn, accounting for around 17% of India's global overseas investments (US\$ 22.1 bn). Mauritius (US\$ 2150.7 mn) and Sudan (US\$ 1144.7 mn) are the two largest destinations in Africa for Indian investments, followed by Liberia (US\$ 155.2 mn), Libya (US\$ 55.3 mn), South Africa (US\$ 52.3 mn), Morocco (US\$ 32.5 mn), Nigeria (US\$ 29.5 mn), and Senegal (US\$ 23.2 mn).

Exim Banks of India and Africa sign Cooperation Pact

Exim Bank of India and African Export Import Bank (Afrimaxbank) signed on Wednesday, May 16, 2007, a Memorandum of Cooperation (MOC), on the sidelines of the Annual Meetings of the Board of Governors of the African Development Bank Group held in Shanghai, China. The MOC was signed by Mr. T.C. Venkat Subramanian, Chairman & Managing Director, Exim Bank of India and Mr. Jean-Louis Ekra, President, Afrimaxbank. Exim Bank of India has been participating in the developmental process in Africa not only by providing funding support such as Lines of Credit for financing projects in sectors like agriculture, transportation, power generation and distribution, railway, rural electrification and infrastructure, but also by promoting and financing manufacturing and capacity building activities in Africa. Exim Bank of India is shortly going to open its second office in Africa at Dakar, Senegal. The MOC, inter-alia, envisages collaboration between the two Exim Banks towards exchange of information, identification of projects, co-financing opportunities and harmonising efforts for the promotion of trade, economic development and investment between India and Africa.



PROJECT OPPORTUNITIES

Business Opportunities Update: Upcoming Projects

Select opportunities for Indian exporters in upcoming projects around the world, funded by multilateral funding agencies such as World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development are given alongside.

Projects funded by these multilateral agencies present attractive business opportunities for consultants, suppliers and contractors. These projects enjoy relatively high priority in the countries where they are taken up for implementation. The procurement guidelines, policies and procedures of the multilateral agencies help ensure equal and fair opportunity for all eligible bidders. Implementation of such projects is monitored by the multilateral agencies.

Interested exporters need to contact the concerned executing agencies to pursue the business opportunities. Our Multilateral Funded Projects Overseas (MFPO) team at Centre One Building, World Trade Centre Complex, Mumbai, would be glad to be of help, if you keep us advised. Please contact **Ms. Sumana Sarkar** on Tel: 22172623

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Costa Rica/ Secretariat of Digital Government, Ministry of Planning and Economy De Autos Subaru 200 mts. Al Norte, Barrio Dent, San Pedro de Montes Oca, Apartado Postal: 10127-1000, San Jose, Costa Rica Contact: Alicia Avendano, Director of the Digital Government Program. Tel: (506) 281-2700	E-Government Modernization Project/ The objectives of the project are to: <input type="checkbox"/> improve the design, access to and use of public services by businesses and citizens, particularly the poor; and <input type="checkbox"/> increase operational efficiency and transparency of public sector agencies.	World Bank US\$ 15 mn.
Serbia and Montenegro/ Ministry of Agriculture, Forestry and Water Management Nemanjina 22-26, 11000 Belgrade, Serbia Contact: Nikola Marjanovic, Director, Water Directorate. Tel: (381-11) 201-3366. Fax: (381-11) 311-5370. E-mail: nikola.marjanovic@minpolj.sr.gov.yu	Irrigation & Drainage Rehabilitation Additional Financing/ The objective of the project is to scale up the flood control subcomponent of Rehabilitation and Improvement of Drainage and Flood Control Infrastructure Project. Consultants will be required.	World Bank US\$ 50.0 mn.
Russia / Vodocanal - Municipal Water and Wastewater Utility of the City of Oufa, Russian Republic of Bashkortostan EBRD Contact: Oxana Selska, Operation Leader Email: selskao@ebrd.com Tel: (44 20) 7338 6794 Fax: (44 20) 7338 7472	Ufa Wastewater Municipal Infrastructure/ The proposed project involves a loan to improve the municipal water and wastewater infrastructure and services in the City, which will contribute significantly to decreasing the level of polluting discharges into the Volga River and the Caspian Sea basin. The project would involve two priority investments: <input type="checkbox"/> ultraviolet wastewater disinfection station; <input type="checkbox"/> complex of methane tanks facilities	European Bank for Reconstruction and Development Euro 15.0 mn.
Serbia and Montenegro/ Zeljeznica Crne Gore AD (ZCG AD), the national rail holding company of Montenegro Trg Golootokih zrtava 13, 81 000 Podgorica, Montenegro Tel: (381-81) 441 302 Fax: (381-81) 633 957 E-mail: zcg-uprava@cg.yu EBRD Contact: Agnieszka Lukasik, Operation Leader: E-mail: lukasika@ebrd.com Tel: (44-20) 7338 6794 Fax: (44-20) 7338 7472	Montenegro Rail Infrastructure Emergency Project/ The proposed project consists of two components: <input type="checkbox"/> implementation of the priority track rehabilitation programme to ensure adequate rail track safety standards; and <input type="checkbox"/> a labour severance programme to support the restructuring programme of Zeljeznica Crne Gore Infrastruktura DOO (ZCG Infrastruktura).	European Bank for Reconstruction and Development Euro 15.0 mn



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Afghanistan / Ministry of Public Works 1st Macrorayan, Kabul, Afghanistan Contact: M. W. Rasooli, Deputy Minister Tel: (0093)-7919486 AsDB Contact: Prianka Seneviratne (632-6327) Infrastructure Division, CWRD Email: pseneviratne@adb.org	Road Network Development Program - Project I (Bala Murghab to Leman)/ The project includes: <input type="checkbox"/> construction of 143 km road <input type="checkbox"/> initiation of the organizational restructuring and business process reengineering of MPW <input type="checkbox"/> production of annual investment plans and programs	Asian Development Bank US \$ 130 mn
Kyrgyz Republic/ Ministry of Transport and Communications 44 Rudaki Street, Dushanbe, Tajikistan 734026 Contact: Mr. Adburakhim Ashur, Minister Tel.: (992-372) 211596 AsDB Contact: Rustam Ishenaliev (632-6776) Infrastructure Division, CWRD Email: rishenaliev@adb.org	Regional Road Corridor Improvement Project (KGZ/TAJ) / The project involves: <input type="checkbox"/> improving 270 km of the two-lane road from Sary-Tash in Kyrgyz Republic to Nimich in Tajikistan <input type="checkbox"/> improving 120 km from the Kyrgyz- Tajik border to Nimich <input type="checkbox"/> improving infrastructure and facilities at the Kyrgyz-PRC border crossing and the Kyrgyz-Tajik border crossing	Asian Development Bank US \$ 35.0 mn
Eritrea/ Eritrea Education Sector Development Program. Program Management Unit (ESDP-PMU). Hday Street 748-1, Dembe Sembel Block A, 1st Floor, RH. Asmara-Eritrea. Contact: Mr. Berhe Tekie. Tel: (291-1) 151-614. Fax: (291-1) 159-566. E-mail: bertek@esdp.org.er	Eritrea Education Sector Development Program/ The project invites sealed bids from prospective bidders for one or all of the lots below, provided they quote for all items and quantities in that lot: <input type="checkbox"/> Lot 1: Computers <input type="checkbox"/> Lot 2: Servers <input type="checkbox"/> Lot 3: Printers, LCD projector and scanners <input type="checkbox"/> Lot 4: UPS and other accessories	African Development Bank US\$ 20.4 mn
Regional/ Director of Engineering Services. Volta River Authority Electro-Volta House, 28th February Road. PO Box MB 77 Accra, Ghana. Tel: (233-21) 668-910. Fax: (233-21) 669-0040	Ghana-Togo-Benin 330 Kv Power Interconnection Project/ The Governments of Ghana and Benin have received loans to finance the 330 kV Power Interconnection Project. The project includes the following components: <input type="checkbox"/> Construction of a 338 km of 330 kV single circuit line <input type="checkbox"/> Extension of 330 kV substations <input type="checkbox"/> Construction of a new 330 kV substation <input type="checkbox"/> Consulting services	African Development Bank US\$ 107.0 mn

CONTRACT AWARDS

Select contracts secured by Indian companies:

Intercontinental Consultants & Technocrats Pvt. Ltd., New Delhi

Technical Assistance contract for project preparation for Road Rehabilitation and Capacity Building Cluster for Ministry of Public Works, Afghanistan and Project Management Consultancy contract for Regional Development Project, Phase II in Maldives, funded by **Asian Development Bank**.

Pricewaterhouse Coopers Pvt. Ltd. (India), New Delhi

Technical Assistance contract for project preparation for Bhutan Power Development Project for Department of Energy, Bhutan, funded by **Asian Development Bank**.

Green Star Impex Private Limited, Secunderabad

Contract for supply of Biological Agars for National Livestock Development Project in Ethiopia funded by the **African Development Bank**.

KEC International Limited, Mumbai

Rehabilitation and construction contract for the Emergency Power Rehabilitation Project in Afghanistan, funded by the **World Bank**.

CIPLA Limited, Mumbai

Procurement of ARV Drugs for the HIV / AIDS Response Project in Sierra Leone, funded by the **World Bank**.

Performance Highlights of Asian Development Bank (AsDB) in 2006

Asian Development Bank (AsDB), a multilateral development finance institution established in 1966, is dedicated to reducing poverty in Asia and the Pacific. It is owned by 64 members, of which 46 are from Asia and the Pacific.

In 2006, the Asian Development Bank (AsDB) approved 80 loans for 67 projects amounting to US\$ 7.4 billion, as compared to 72 loans (64 projects) for US\$ 5.8 billion in 2005. AsDB approved 14 equity investments totalling US\$ 260.5 mn, 3 guarantees for US\$ 124.8 mn, 5 syndication operations for \$ 530.0 mn, 43 grant-financed projects for US\$ 538.4 mn, 260 technical assistance operations amounting to about US\$ 241.6 mn and 8 multitranches financing facilities for US\$ 3.8 billion.

Of the total lending, sovereign lending increased by 30 % over 2005 amounting to US\$ 6.8 billion. This comprised US\$ 5.5 billion from Ordinary Capital Resources (OCR) and US\$ 1.3 billion from the concessional Asian Development Fund (ADF).

The largest developing member country borrowers in 2006 were the People's Republic of China (US\$ 1585 mn), Pakistan (US\$ 1577 mn), India (US\$ 1570 mn), Indonesia (US\$ 828 mn), Philippines (US\$ 659 mn), Vietnam (US\$ 357 mn), Bangladesh (US\$ 317 mn) and Afghanistan (US\$ 312 mn).

The finance sector received the largest share of lending at 24 % (US\$ 1787 mn) of total lending (US\$ 7.4 billion), followed by transport and communications sector (19%), energy sector (19 %), multi-sector (12%), agriculture and natural resources sector (11 %), water supply, sanitation and waste management (9%), education (3%), law, economic management and public policy (3%).

Performance Highlights of European Bank for Reconstruction and Development (EBRD) in 2006

The European Bank for Reconstruction and Development (EBRD) was established in 1991, to help build market economies and democracies in countries from Central Europe to Central Asia. The EBRD is the largest single investor in the region and mobilises significant foreign direct investment beyond its own financing. EBRD's capital is provided by 61 countries and two inter-governmental institutions, the European Community and the European Investment Bank.

In 2006, the EBRD financed 301 projects totaling €4.9 billion, as compared to 151 projects totaling €4.3 billion financed in 2005. The EBRD's investments in 2006 reflect the strategy of moving further south and east. About 48 % of the Bank's business volume in 2006 was invested in the early and intermediate transition countries of South-Eastern Europe, Western CIS, the Caucasus and Central Asia. Russia attracted 38% of EBRD investment while 14% of business volume was devoted to the advanced transition countries of central Europe.

The EBRD's investments were spread across a variety of sectors. About 45% of EBRD's commitments in 2006 were devoted to financial sector as compared to 33% in 2005. The commitments supported local enterprises including micro, small and medium-sized enterprises via financial intermediaries. Corporate sector, which comprises agribusiness, manufacturing, property and tourism, telecommunications and new media, received 30% of EBRD's investment in 2006, as compared to 27% in 2005. Commitments to infrastructure development witnessed a marginal drop to about 17% as compared to 23% in 2005. Infrastructure development includes municipal and transport projects. The energy sector saw a considerable drop in commitments to 8% as compared to 17% in 2005.

Performance Highlights of African Development Bank (AfDB) in 2006

The African Development Bank Group comprises three institutions; the African Development Bank (AfDB), the African Development Fund (ADF) and the Nigerian Trust Fund (NTF). Of the three institutions, the African Development Bank is the largest and its mission is to reduce poverty in Africa and promote sustainable economic growth in the region.

The African Development Bank (AfDB) was established in 1964 and started its operations in 1966. AfDB's shareholders are the 53 regional member countries in Africa, as well as 24 non-regional member countries in Americas, Europe, and Asia.

The African Development Bank Group reported a total lending of US\$ 3.90 billion in 2006, compared to US\$ 3.28 billion in 2005. Out of the total lending, the AfDB reported a lending approval of US\$ 1,572 mn, the ADF recorded a lending approval of US\$ 2324 mn. AfDB's authorised capital stood at US\$ 32.9 billion as of end 2006, and subscribed capital stood at US\$ 32.79 billion. ADF subscriptions were US\$ 19.95 billion and NTF resources were US\$ 209.9 million, as of end 2006.

The AfDB Group lending operations in 2006, continued to emphasise priority sectors like the infrastructure sector (including transportation, communication, water supply & sanitation and power supply) and the total lending to the sector amounted to US\$ 1,290 mn, followed by finance sector at US\$ 745 mn, multisector projects at US\$ 623 mn, social sector at US\$ 368 mn, agriculture and rural development sector at US\$ 362 mn, and industry, mining and quarrying at US\$ 84 mn. AfDB's strategic orientations and priorities continued to guide the strategic thrust of its operations.

Performance Highlights of Exim Bank: 2006-07

FINANCIAL PERFORMANCE

- ❖ Net Profit (after tax) at Rs. 299 crore, an increase of 10.6% over the previous year.
- ❖ Rs. 95.62 crore was transferred to the Central Government as per the Exim Bank Act, as compared to Rs. 86.75 crore in 2005-06.
- ❖ Capital Adequacy (Capital to Risk Assets Ratio) stood at 16.38%.

BUSINESS PERFORMANCE

- ❖ Loan approvals aggregated Rs. 26762 crore during 2006 - 07, an increase of 31% over the previous year. Disbursements aggregated Rs. 22076 crore, an increase of 47% over the previous year. Loan Assets increased by 29% to Rs. 23274 crore as on March 31, 2007.
- ❖ Net NPAs formed 0.5% of net loan assets as on March 31, 2007.
- ❖ During the year, the Bank extended 16 Lines of Credit (LOCs), aggregating US\$ 542 mn, covering 42 countries. As on March 31, 2007, the Bank had 73 LOCs available for utilisation, covering 83 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US\$ 2.3 billion.
- ❖ Project export contracts supported by Exim Bank amounted to Rs. 14000 crore and were secured by 21 companies in 20 countries.
- ❖ As on March 31, 2007, guarantees on book were at Rs. 3536 crore.

RESOURCES/TREASURY

- ❖ The Bank raised borrowings of varying maturities aggregating to Rs. 10621 crore, comprising Rupee

resources of Rs. 6461 crore and foreign currency resources of US\$ 957 mn equivalent.

- ❖ Market borrowings as on March 31, 2007 constituted 85% of the total resources.
- ❖ During the year, Government of India subscribed Rs. 50 crore towards capital of the Bank and Bank's paid-up capital increased to Rs. 1000 crore, which is equal to the authorised capital of the Bank as on March 31, 2007.
- ❖ Foreign currency resources raised during the year included US\$ 269 mn equivalent by way of second issue of Samurai bonds / FRNs. FC resources of US\$ 688 mn equivalent were raised through bilateral / club loans. As on March 31, 2007, the Bank had a pool of foreign currency resources equivalent to US\$ 2.57 billion.
- ❖ The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' from the rating agencies, CRISIL and ICRA.
- ❖ During 2006-07, Standard & Poor's and Fitch Ratings have upgraded the Bank's credit rating from BB+ to BBB-. The Japan Credit Rating Agency (JCRA) enhanced the outlook on the Bank's BBB credit rating to 'positive' from 'stable'. Taken together with the Baa3 rating from Moody's, the Bank at present holds investment grade rating on par with the India sovereign from four international credit rating agencies.


NEW INITIATIVES

- ❖ **Joint Venture with Khadi and Village Industries Commission** to set up a joint Export Marketing Organisation to contribute to capacity building of grassroots business enterprises, and promote exports of products from rural enterprises.
- ❖ **Rural Grassroots Business Initiatives** to support globalisation of rural industries: cooperation arrangement with the Confederation of NGOs of Rural India (CNRI), to assist CNRI members with capacity building, training and access to national and global markets.
- ❖ **'India Day'** organised at Pangea, a display-cum-sales centre at IFC at Washington D.C., at which products made by a number of NGOs / SHGs in India were displayed.

- ❖ **Special Line of Credit from ADB** - for extending loans to SMEs is under negotiations.
- ❖ **Cooperation arrangement with the International Trade Centre (ITC), Geneva** - a pioneering initiative for supporting SMEs and for providing term loans and export finance facilities to the identified units to help them in their globalisation efforts.
- ❖ **Untied Loan of US\$ 100 Mn. Equivalent from the Japan Bank for International Cooperation** on long term basis, for onlending to eligible Indian borrowers. The proceeds will be onlent to corporates which have business relationships with Japanese companies, Indo-Japanese joint ventures and subsidiaries both in India as well as overseas and other eligible users.
- ❖ **US\$ 1 Billion Medium Term Notes (MTN) Facility** was established by the Bank to facilitate flexibility in raising of resources in the international debt capital market on a regular basis.
- ❖ **Overseas Investment Finance Programme** - During the year, 29 proposals for funded and non-funded assistance aggregating Rs. 1940 crore were approved for part financing overseas investments, by Indian corporates in 15 countries. As on March 31, 2007, Exim Bank had provided finance to 176 ventures set up by over 147 companies in 54 countries.
- ❖ **The Bank opened a representative office** in the prestigious Dubai International Financial Centre, Dubai, with a view to playing a key, catalytic role in further enhancing trade and investment flows between India and the Middle East Region.

RESEARCH & PLANNING

- ❖ Five Occasional Papers were published by the Bank during the year, namely, Japanese and US Foreign Direct Investments in Indian Manufacturing: An Analysis; Maghreb Region: A Study of India's Trade and Investment Potential; Strengthening R & D Capabilities in India; CIS Region: A Study of India's Trade & Investment Potential; and Indian Chemical Industry: A Sector Study. During the year, Bank also published a Working Paper titled "Indian Construction Industry: Opportunities Abroad".



KEC International Limited: A Success Story

KEC International Ltd (KEC), incorporated in 1945 as Kamani Engineering Corporation, is engaged in design and manufacture of power transmission towers and executing power transmission and distribution projects in India and abroad. The company was taken over by the RPG Group in 1982. KEC, the second largest tower manufacturer in the world, has made a mark in the international market by constantly re-engineering itself to retain its position of leadership in the areas of quality, technology, capacity and capability.

Operations

KEC's strength lies in the areas of design, manufacture, supply, construction and erection, on turnkey basis, of power transmission and distribution projects that include very high voltage lines, railway electrification projects, setting up of substations and power distribution networks, optical fibre cable (OPGW) installations, telecom infrastructure projects and maintenance of power transmission lines. To ensure reliable service, KEC is supported by multi-locational manufacturing facilities. To maintain its leadership in the market, KEC is equipped with the latest technology. The company has modern design facilities at Mumbai where qualified and


experienced design engineers have been deployed. This Design Division is fully equipped to perform a wide range of computerised design and engineering activities that design transmission towers of any kind to meet specific client requirements. It has successfully designed Heavy River crossing towers and towers from 33 kV to as high as 800 kV. KEC has two of Asia's most sophisticated tower testing stations, located at Jaipur and Vashi (Navi Mumbai), capable of testing towers of upto 1000 kV. The tower testing station at the R&D Centre, Vashi, Navi Mumbai is recognized as an in-house R&D unit by the Ministry of Science and Technology, Government of India. KEC has two manufacturing plants at Jaipur and Nagpur in India. In these two plants, KEC can manufacture 50,000 tons of towers annually.

KEC's plants are ISO 9001 and 14001 accredited for quality and environmental standards. Well-engineered layouts, mechanised production equipments and large storage facilities for steel and finished products give KEC an edge to deliver quality products as per the stringent requirements of its customers. KEC is constantly upgrading the capabilities of its plants to meet the changing requirements of its customers. With more than 50 years of experience in construction of transmission lines, the company has constructed some of the heaviest and tallest transmission towers in India and abroad. It has successfully executed projects facing challenging and difficult terrains like deserts, mountains, land mines and rivers. Today, the specialized transmission lines built by KEC span huge raging rivers like Nile in Egypt, Kosi in Nepal and Brahmaputra in India.

Exports

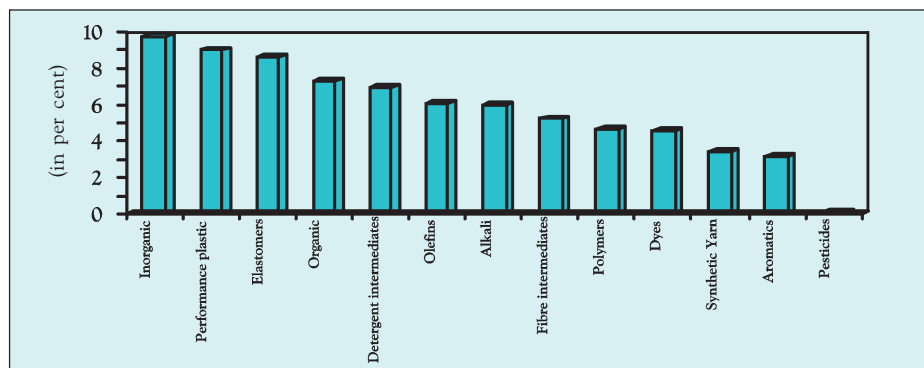
KEC has successfully executed power transmission and distribution projects in various countries that include Argentina, Brazil, Canada, Egypt, Ethiopia, Ghana,

India, Indonesia, Iran, Iraq, Kenya, Kuwait, Lebanon, Malaysia, New Zealand, Nepal, Nigeria, Philippines, South Africa, Sri Lanka, Saudi Arabia, Sudan, Syria, Thailand, Tunisia, UAE and Vietnam. Recently, KEC secured a contract in Phoenix, USA, which has opened a new market for KEC to explore. KEC is currently executing orders in various countries such as Afghanistan, UAE, Algeria, Ethiopia, Iraq, Kazakhstan, Libya, Tunisia, Nigeria, Oman and Zambia. In the domestic market too, KEC is a leading player and is executing various orders for PGCIL, WBSEB and UPPCL etc. The current order book position of KEC is Rs. 3000 crore, of which Rs. 2300 crore pertains to export contracts and Rs. 700 crore to domestic contracts, which include projects funded by multilateral funding agencies such as World Bank and the Asian Development Bank.

Exim Bank has been associated with KEC right from the year of Exim Bank's inception. Exim Bank's timely assistance by way of extending Bid Bond guarantees, post-award guarantees and funded facilities have enabled the company to secure and execute project export contracts in various countries. The company suffered set back in FYs 2001-02 / 2002-03 on account of non-payment of its legitimate claims by overseas buyers. However, with the help of various measures taken by its management and support of Exim Bank, KEC turned around in FY 2003-04 registering net profit of Rs. 25 crore and sales turnover of Rs. 816 crore. With continued support from Exim Bank over the years, KEC has achieved net sales of Rs. 2093 crore and earned net profit of Rs. 105 crore for the year ended March 31, 2007 as against net sales of Rs. 1727 crore and net profit of Rs. 49 crore for the year ended March 31, 2006. The value of KEC's ongoing contracts supported by Exim Bank aggregates to Rs. 5531 crore. 

Indian Chemical Industry

Growth (CAGR) of Chemical Production by Sub-Sectors in India (2000-01 to 2005-06)



Source: Ministry of Chemicals and Fertilizers, Government of India

Status of the Industry

Indian chemical industry is one of the key industries contributing to economic output and employment. The industry has a weightage of 14% in Index of Industrial Production and constitutes 18% in total manufacturing output and about 7% of export revenue. It is estimated that the size of the Indian chemical industry is around US\$ 30 billion. Volume of production by the chemical industry positions India as third largest producer in Asia (next to China and Japan) and twelfth largest in the world. The industry comprising both small-scale and large units produces several thousands of products and bi-products, ranging from plastics and petrochemicals to cosmetics and toiletries. A significant share, around one-third of production, is consumed by the industry itself.

Volume of major basic chemicals produced in India amounted to around 8 mn metric tonnes (MTs) in 2005-06. The break-up of production, by major product segments, is estimated to be 1.5 mn MTs of organic chemicals, 0.54 mn MTs of inorganic chemicals, 5.47 mn MTs of alkalis, 0.30 mn MTs of dyes and pigments, and 0.82 mn MTs of pesticides.

India has been increasing its export of chemical products in the recent years. In the year 2005-06, export of basic chemicals amounted to US \$ 7 billion; which includes US \$ 4.85 billion worth of organic chemicals, US \$ 775 mn worth of inorganic chemicals, US \$ 847 mn worth of tanning and colouring

materials, and US \$ 649 mn worth of pesticides.

Indian chemical industry has been receiving significant investment intentions, including foreign direct investments (FDI). Since August 1991, and till November 2006, chemical industry has received investment proposals worth Rs. 274486 crores, a share of 11% in total investment proposals received during this period. FDI, which is essential for modern manufacturing of chemicals, has also been flowing into the chemical sector significantly. During the period August 1991 to October 2006, FDI inflows into the chemical sector amounted to US \$ 2.2 billion, a share of around 6% in total FDI flows into the country.

Steps Initiated to Promote Indian Chemical Sector

The Government of India has been announcing a number of measures to improve the competitiveness of Indian chemical industry. These include: abolition of industrial licensing to most of the chemical sub-sectors, except a small list of hazardous chemicals; approval for FDI upto 100%; de-reservation of chemical items from exclusive production of small-scale units; announcement of policy for setting up of integrated Petroleum, Chemicals and Petrochemicals Investment Regions.

Indian Chemical Council (ICC – also known as Indian Chemical Manufacturers Association) is the nodal point / signatory representing India under the Responsible Care initiative. Nearly 100 companies have

signed up indicating their commitment to Responsible Care initiative. ICC has prepared codes, guidance notes for implementation of process safety, employee health and safety, pollution prevention, emergency response and product safety.

Future Outlook

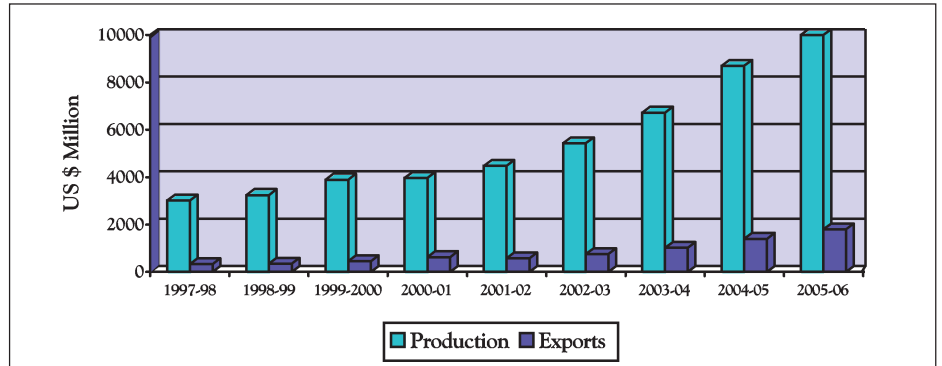
The performance and outlook of the chemical industry, particularly in the context of India's development process, depends upon and determines the trends in the overall economy, as also the linkages with the rest of the world in terms of trade, investment and technology transfer. In the domestic front, with the reduction in tariffs, Indian chemical companies with strong systems and organised operations are likely to be benefited further. Companies with competitive advantages, viz., having manufacturing competence in the areas of high value added chemicals, conforming to international quality standards, could translate their capabilities and establish a dominant presence in both international and domestic markets.

Use of advanced technologies, strong research capabilities, backward and forward linkages and development of domestic capacity to reduce dependence on imported raw materials are some of the key success factors for the Indian chemical industry. In addition, safety, health and environment protection issues are becoming important challenges for the Indian chemical industry. Indian manufacturers are addressing such challenges in an organised way.



Indian Automotive Industry

Trends in Production and Exports of Auto-components from India



Source: Automotive Components Manufacturers Association

Status of the Industry

The automotive industry, comprising automobiles and auto-components sectors, has shown great advances in India, since the opening up of this sector to Foreign Direct Investment (FDI). The turnover of the Indian automotive industry, including auto-components sector, is estimated to have exceeded US\$ 38 billion in 2005-06. The turnover of the auto-components sector alone is estimated to be US \$ 10 billion in 2005-06. The industry is estimated to have provided direct employment to 4.5 lakh persons and indirect employment to over one crore persons.

The automobile sector registered a production growth of 13.5% in volume terms in 2006-07. Motorcycles (over 7 mn units) and passenger cars (over 1 mn units) formed substantial share of India's total automobile manufacturing (over 11 mn units). Preliminary estimates show that vehicles exports grew by 25% in the year 2006-07, over the previous year, crossing over 1 mn units. Motorcycles (0.55 mn units) and passenger cars (0.19 mn units) are substantial contributors for automobile exports in 2006-07. Exports of three wheelers posted 86% growth in 2006-07 reaching a volume of nearly 144,000 units.

The Indian auto-components sector produced US\$ 10 billion worth of products and exported about 18% of its production (US\$ 1.8 billion), in 2005-06. The Indian auto-components sector has received an estimated investment of US \$ 4.4 billion in 2005-06. There are nearly 500 firms manufacturing auto-components

in the organised sector, of which nearly 250 firms have a turnover of US \$ 1-5 mn. The Automotive Mission Plan, an initiative of the Government of India, estimates that the Indian automotive industry is expected to have a turnover of US\$ 122 – US\$ 159 billion by 2016. This includes US\$ 40-45 billion turnover of Indian auto-components industry. The Mission Plan estimates that the automobile industry is expected to have an export turnover of around US\$ 38 billion by 2015, of which around US\$ 20 billion would be auto-component exports. In addition, about US\$ 5 billion would be after sales service market, and another US\$ 2.5 billion in engineering services outsourcing is expected to emerge for Indian automotive industry. The estimated output would require an incremental investment of US\$ 35-40 billion (Rs 160,000 - 180,000 crores) by 2016. The investment is expected to provide additional employment of 2.5 crore by 2016.

Steps Initiated to Promote Indian Automotive Sector


The Automobile Policy-2002 seeks to make India an international hub for manufacturing small affordable passenger cars and a key centre for manufacturing tractors and two-wheelers for sales worldwide. Recently, the Government of India has outlined an Automotive Mission Plan 2006-2016, in consultation with various stakeholders, in order to prepare a road map for accelerating and sustaining the growth in the automotive sector.

The Government has approved five sector specific special economic zones for manufacturing automobiles and components, envisaging an investment of over Rs. 3500 crores. There are also plans to set up three dedicated corridors for movement of export cargo (of automobiles). These include rail corridors of Gurgaon – Mumbai Port, Pune – Mumbai Port, and Jamshedpur – Kolkata. Besides a dedicated highway for automobile movement is also being considered between Gurgaon and Delhi.

Opportunities for India

Growth of Indian middle class population and its increasing disposable income, in the past few years, have attracted many global auto majors to the Indian market. The market linked exchange rate and availability of trained manpower at competitive cost have positioned India as an attractive manufacturing hub of automobiles and components for exporting to other countries. While the large market size and attractiveness of India as a manufacturing hub act as pull factors, the near stagnation of auto-sector in developed country markets works as a push factor for shifting of new capacities and flow of FDI into the automotive sector.

Rapid improvement in infrastructure including roads, ports, power and setting up of world class facilities for Testing, Certification and Homologation, coupled with availability of trained manpower and enabling government policies are enhancing the competitiveness of Indian automotive industry in the world.



India's External Sector : Recent Performance & Prospects

India's foreign trade continued its recent momentum in 2006-07, with exports amounting to US\$ 124.6 billion and imports reaching US\$ 181.4 billion in the year, registering 23.9% and 29.3% growth respectively, as against the previous year. With imports rising faster than exports, trade deficit further widened to US\$ 56.8 billion in 2006-07 as compared to US\$ 39.6 billion in 2005-06. The impact of the growing merchandise trade deficit has been to a considerable extent moderated by the surplus in India's services trade in recent years. The trend continued in 2006-07, with services exports standing at US\$ 81.3 billion as against imports of US\$ 48.6 billion during 2006-07. Software exports, in particular, amounted to US\$ 31.3 billion during 2006-07. With positive balance in income and transfers as well, India's current account deficit was contained at US\$ 9.6 billion during 2006-07 despite a growing trade imbalance. In the last three years, India's merchandise exports have almost doubled to reach US\$ 125 billion in 2006-07 with incremental exports resulting in 7.5 mn additional jobs. In view of the recent robust performance, an export target of US\$ 160 billion has been set for 2007-08, which would be further raised to US\$ 200 billion in 2008-09.

Strong exports have contributed towards a steady accretion of foreign exchange reserves in India. India's foreign exchange reserves went up sharply by US\$ 47.6 billion in 2006-07 to stand at US\$ 199.18 billion as at end-March 2007. Reserves have continued to grow thereafter, and reached US\$ 212.5 billion as on June 22, 2007. Foreign currency assets account for over 96% of India's foreign exchange reserves. India's external debt, which stood at US\$ 126.4 billion at end-March 2006 increased to US\$ 155.03 billion as at end-March 2007. The rise in external debt stock was due to increases in External Commercial Borrowings (ECBs), NRI deposits and short-term debt. In particular, short-term debt rose to 7.7% of total external debt as at end-March 2007 from 6.9% as at end-March 2006.

Reflecting the growing confidence of the international investors in the Indian economy, foreign direct investment inflows grew sharply to US\$ 17.7 billion in 2006-07, with 90% of the total attributable to equity investments. However, portfolio investment in India in 2006-07 stood at US\$ 7.0 billion, implying a decline from US\$ 12.5 billion in 2005-06. Nevertheless, corroborating the ongoing globalisation endeavours of the Indian industry, total approved overseas investments from India increased sharply to US\$ 6.0 billion during April-October 2006-07 compared to US\$ 1.2 billion in the corresponding period of the previous year. With an increasing number of mergers and acquisitions taking place almost regularly, India's overseas investment are set to rise substantially in the years ahead.


ANNUAL SUPPLEMENT TO INDIA'S FOREIGN TRADE POLICY

The Annual Supplement 2007-08 to India's Foreign Trade Policy 2004-09, released on April 19, 2007, has further strengthened India's objective of doubling its share in global trade by 2009 and creating substantial employment opportunities in the process. With regards to India's rural and agri-exports, the scope of the Vishesh Krishi and Gram Udyog Yojana (VKGUY) has been expanded, to include exports of value-added variants of several agricultural and forest products. The allocation for the Focus Product Scheme has been increased from the existing Rs. 6.5 billion to Rs.10 billion, and 16 new countries have been added under the Focus Market Scheme.

With regards to enhancing manufactured exports from India, the policy announced duty free import of tools, machinery and equipment for the handicrafts and gem & jewellery sectors. For the cottage industry sector, the export obligation period under EPCG Scheme has been increased from 8 to 12 years. Further, a new scheme has been announced for encouraging high-technology exports from India. The Duty Entitlement Pass Book (DEPB) scheme has been further extended till March 31, 2008.

The policy statement has also exempted payment of service tax for all services rendered overseas and charged on exports from India. Similarly, service tax on services rendered in India, but utilised by exports would be exempted or remitted.

India also seeks to reduce transaction costs related to exports. In this connection, transaction time is sought to be reduced further through the Electronic Data Interchange (EDI) system. Customs verification has also been relaxed for the DEPB, EPCG as well as the Advance Authorisation Scheme.



Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was initiated in June 2004 in Rio de Janeiro, during meetings held in preparation for the UNCTAD XI conference, as a common institutional mechanism covering Exim Banks and Development Finance Institutions (DFIs) to leverage their natural synergies to promote South-South trade and investment that can contribute to an overall development of the southern countries. A one-day brainstorming session followed in March 2005 that ended with the signing of a Memorandum of Understanding by five Exim Banks and DFIs, viz. Exim Bank of India, Exim Bank of Malaysia, African Export-Import Bank, Corporacion Andina de Fomento (CAF) and Exim Bank of Slovakia.

G-NEXID was formally launched at the inaugural meeting held at UNCTAD in Geneva on March 13, 2006. Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD delivered the opening statement and expressed the hope that this multilateral forum would unlock the full potential of cooperation among the South's financial institutions, and assured UNCTAD's guidance and full support to this 'exciting new initiative'. G-NEXID, which has now

been granted 'Observer' status by UNCTAD, is in due course, expected to become a Forum to share expertise and experience, leading to enhanced levels of South-South trade and investment.

The Second Annual Meeting of G-NEXID was held on March 22, 2007 in Geneva. Members noted the progress of G-NEXID achieved since its launch in 2006. The increase in G-NEXID membership to 15 institutions spread across Asia, Africa, Europe and Latin America within such a short time was noted with satisfaction. Twelve member institutions were represented at the meeting with the Chairman & Managing Director, Exim Bank of India as Honorary President. Further, it was agreed that membership of G-NEXID should include more representation from hitherto unrepresented geographical areas. The Second Annual Meeting witnessed the technical launch of G-NEXID's official website, with the objective to create competitive online presence, information and experience sharing, brand building and facilitate conduct of business among the member institutions.


A consensus emerged in terms of the activities that G-NEXID should carry out in the short and medium term. This included designing programmes for SME development through capacity building exercises, training programmes for member institutions through experience sharing and exchange of personnel, an open forum on topics of relevance to south-south trade and investment.

The meeting also witnessed presentations on varied technical topics including UNCTAD's south-south trade database and its preliminary findings in terms of the emergence of the South in international trade, economic intelligence through UNCTAD's Infocom and infoshare knowledge and information management tools and on ways to improve SME access to finance by using Management Competence as "Collateral" through a case study of

Enterprise Management Development Services program – a joint initiative of ITC and Exim Bank of India.

A session was devoted exclusively for sharing of experiences by member institutions on areas related to SME financing, south-south cooperation and more. Broad consensus emerged in terms of the action plan for the activities for 2007. It was agreed that G-NEXID is intended to boost bilateral and multilateral agreements among Exim Banks and DFIs and that such cooperation is expected to reduce the transaction costs of trade, spurring investment across borders, making financing more readily available to new and innovative businesses and enabling the growth of "niche markets." The newly established network, it was envisaged, would allow developing countries to learn from each other's experience and share effective practices for entering new markets, financing non-traditional goods and services, and establishing risk-sharing methods for investments.

Members of G-NEXID from different continents were enthusiastic about the developments during the last one year and eagerly looked forward to the forum becoming a significant catalyst for enhancing south-south cooperation, with particular focus on SME development, under the continued support and guidance of UNCTAD.

A Memorandum of Cooperation (MOC) was signed between Exim Bank of India and Exim Bank of Romania at the sidelines of the Second Annual Meeting of G-NEXID. The MOC seeks to identify areas of cooperation for enhancing two-way trade and investment, which inter alia, includes exploring the possibilities of exchanging mutual experience, information on financing export and import operations, project assessment and knowledge generated in respective fields of activity, providing mutual technical assistance and training. 




EXIMIUS CENTRE COLUMN

In the second quarter of 2006-07, the Centre organised the following programmes:

- ❖ One day Seminars on “**Export Procedures & Documentation**”, to provide information on export procedures to the existing and potential SME exporters. These were organised at Bangalore (April 4 & June 21, 2007); Goa (May 28, 2007), Ahmedabad (June 19, 2007), and New Delhi (June 27, 2007). Senior officials from DGFT, Customs, RBI, ECGC, GTF and Exim Bank discussed in detail the various aspects of foreign trade policy, customs formalities, foreign exchange regulations, documentary credit, Exim Bank’s financing products and services, export credit insurance and export forfaiting & factoring.
- ❖ A one day Seminar on “**Quality Standards and Certification Requirements for Export of Agricultural/Food Products**” was organised at Bhubaneswar on April 21, 2007, as part of Exim Bank’s endeavour to promote agri-business having export potential. Faculty from the Bidhan Chandra Krishi Vishwavidyalaya, Kalyani, West Bengal made presentations on latest developments on topics such as: International Food Regulations, CODEX US-FDA, ISO 9000 /14000, HACCP: Hazard Identification & Control, Quality Systems in Food Industry and Food Safety Regulations.
- ❖ A Seminar on “**Upgradation of Design and Packaging of Handicraft Products**”,

was organised in association with the Eastern Zone Cultural Centre (EZCC) at Shantiniketan on May 04, 2007, to provide knowledge and information to artisans and NGOs. Successful entry and sustaining long-term presence in overseas markets require the design of export products and their packaging to be of high quality. This is more so in the case of handicrafts where consistency of product quality and packaging require special attention.

- ❖ During July-September 2007, the following Seminars/Workshops are planned:
 - i) Country investment seminars with Economic Development Board, Bahrain and British Midlands at Coimbatore, Kochi, Thiruvanthapuram and Chennai;
 - ii) Export Procedure & Documentation at Pune, Coimbatore, Chennai, Puducherry and Belgaum;
 - iii) Agricultural & Food Products at Coimbatore and Guntur;
 - iv) Export Marketing Programme for Textiles at Madurai;
 - v) Entrepreneurship Development Programme at Shillong, and Gulbarga;
 - vi) Export Potential of Medicinal/Aromatic Plants at Itanagar. 


For details on future programmes contact:
Mr. S. Srinivas,
Deputy General Manager,
Eximius Centre, Bangalore
Tel: (080) 25589106 E-mail: eximius@vsnl.com

BOOK REVIEW

Asian Development Outlook 2007, Asian Development Bank

The Asian Development Outlook (ADO) 2007, highlights that the performance of developing Asia in 2006 was exceptional, owing to highly favourable external environment, good economic management, and the fruitful results of reform efforts. Over the next few decades, developing Asia’s prospects will depend critically on its ability to adapt to a constantly changing environment. The theme of ADO 2007 ‘Growth Amid Change’ looks at the evolutions that have been associated with successful growth experiences. Increasing technological sophistication and structural complexity are important dimensions of change, in which industries and the manufacturing sector have played a pivotal role, and in most countries, services have been an important provider of jobs.

In 2006, aggregate GDP of the region grew at 8.3%, the fastest since 1995, underpinned by remarkable growth in the China and India, along with a large number of other countries enjoying vigorous growth. While referring to the other economies in Asia, growth in Indonesia is forecast to pick up, as lower interest rates and lower inflation give a boost to domestic spending. In Central Asia, high oil prices, housing boom and heavy investments in mineral development sustained higher growth. Although the pace of expansion is expected to ease in coming years, growth of the region is still set to remain brisk at 7.6% and 7.7%, in 2007 and 2008, respectively.

A key message that ADO 2007 suggests is that ‘walking on two legs’- fostering both industry and services, is the only viable development model for many economies. The outlook emphasised services, as well as industry, which offer significant potential for productivity gains. A vibrant industry sector needs efficient services sector. 



Russia

The Russian economy's expansion of 6.7% in 2006 is attributed to private consumption,

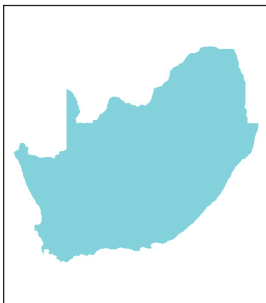


boosted by increases in public sector wages, followed by strong growth in investment spending, driven by large-scale infrastructure

projects. With Russia sourcing much of its machinery and consumer goods from outside of the Commonwealth of Independent States (CIS), imports from those parts of the world grew more strongly than from the CIS in the first quarter of 2007. With oil prices expected to ease moderately, and buoyant investment and consumption pushing up imports, the trade surplus is expected to narrow in the coming years. The flow of foreign investment to Russia is surging. Foreign Direct Investment (FDI) inflows into Russia reached US\$ 28.7 billion in 2006, according to the Russian Central Bank (RCB), compared to US\$ 12.8 billion in 2005.

South Africa

The broad-based growth of the South African economy in 2006 was driven primarily by consumer spending and public and private investment. The South African rand, which is one of the most traded and volatile of the emerging-market currencies, declined to about R7.17: US\$1 in the first two months of 2007, about 17% weaker than a year earlier, before sliding to about R7.40: US\$1 in the first half of March as emerging markets suffered from a perceived increase in global macroeconomic risk. South Africa's gold production slumped by 7.5% to 275 tonnes in 2006, the lowest since the 1922 strike, continuing the long-term fall in production that started in the 1970s. In December 2006,

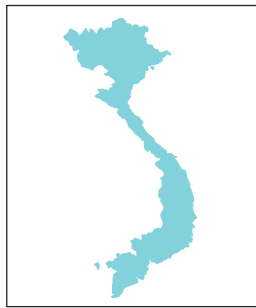


the European Union (EU) and South Africa agreed on a new trade pact covering the automobile industry, which is likely to boost trade and investment in the sector.

Vietnam

Growth accelerated in the second half of the year 2006, prompted in part by the country's imminent admission to the World Trade Organisation. Industrial output, including construction, rose by 16.7% year on year, as a result of the deepening in the industrial sector and the fact that textile and garment sector proved resilient in the context of an increasingly liberalised global trading environment. After posting annual average growth in excess of 22% in 2005-06, the pace of growth in exports is expected to slow steadily.

Demand for imported machinery and intermediate goods will remain strong, as Vietnam lowers tariff barriers to fulfil its commitments as a member of the ASEAN Free-Trade Area (AFTA) and the WTO.



CAF Region

CAF region comprises Bolivia, Colombia, Ecuador, Peru and Venezuela. The average economic growth rate in the region was 6.14% in 2006, as compared to 6.16% in the previous year, dominated by the 10.6% growth rate of Venezuela.

In **Bolivia**, mining sector, which contributes 11.4% of GDP, is the largest. The San Cristobal silver and zinc project owned by Apex Silver Mines (US) was due to commence trial operations with the aim of reaching full operational capacity in the third quarter of 2007. With an ore treatment capacity of 40,000 tonnes per day, the mine will be the largest mining venture ever mounted in Bolivia. After an unofficial extra round of negotiations lasting four months and **Colombia's** eventual acceptance of US meat

exports from cows older than 30 months, the US government decided in mid-August 2006 to request that the US congress ratify the free-trade agreement (FTA) with Colombia. Colombia as part of the Andean Community, continued talks with the EU over an FTA; by November 2007 the two sides are likely to agree on timetable for more advanced negotiations.



In **Ecuador**, following the annulment of Occidental's contract, the government has taken over its assets in Block 15, which accounts for around 20% of the country's total oil production. In late June 2006, government finally opened the bidding process for the concession of the Port of Manta, setting a July 20th deadline for proposal. The concession would include the port's administration, the maintenance and improvement of existing facilities and infrastructure, and the building of new facilities.

In 2006, large-scale investments took place in the mining and hydrocarbons sector in **Peru**. The main investments in the extractive sector were the US\$ 850 mn upgrade of Cerro Verde's copper mine in southern Peru and Southern Copper Corporation's large-scale moderation of its Toquepala mine.

Venezuela's real economy grew by 10.6%, driven by booming domestic demand, which rose by 20.2%. In early November, the government offered US\$ 1 billion in bonds together with Argentina. The so-called "Bono del Sur" was launched as a package of three securities: US\$ 500 mn of Venezuela TICC (Titulos de Interes y Capital Cubierto) bonds, US\$ 300 mn of Argentinian Boden 12 bonds and US\$ 200 mn of Argentinian Boden 15 bond. In early October, Standard & Poor's (S&P) revised the outlook on its BB- long-term foreign currency rating on Venezuela from stable to positive.



Currency Currents

Brazilian Real (BRL)-

The Brazilian Real (BRL), floating independently against the US\$ since January 1999, is viewed as one of the strongest currencies in emerging Latin American markets. The BRL has been steadily appreciating against the US\$ and touched a six and half-year high of 1.9020 per dollar on June 1, 2007. The BRL has appreciated nearly 20% in 2007 breaking the 2 per US\$ barrier for the first time in six years. The currency has been appreciating on improving economic fundamentals and high overnight interest rates (called Selic interest rates). The appreciation has gathered momentum after credit rating agency Standard and Poor's upgraded Brazil's long term foreign sovereign credit rating to BB+ from BB and maintained a positive outlook on the country's long term rating. The central bank of Brazil (BCB) has been following an easy monetary policy and has cut the Selic interest rates to 12% p.a from a high of 26.5% p.a in the middle of 2003. Although the benchmark rate is low, it is still high as compared to other countries. Economists are expecting the BCB's Monetary Policy Committee (COPOM) to cut Selic interest rates further on improving economic fundamentals and low inflation. The BRL is expected to be more vulnerable if there is slower global economic growth and higher US inflation, which will result in

higher US interest rates. As a strong BRL will hurt exporters, the central bank is likely to curb appreciation of the Real. The central bank has been aggressively buying US\$ and has bought more than US\$ 33 billion in the spot market during the current year till May 2007. Overall the BRL is likely to strengthen against the US\$. On June 29, 2007 the Brazilian Rial was trading at 1.9274 against the US\$.

Great Britain Pound-

The United Kingdom entered Europe's Exchange Rate Mechanism (ERM) in October 1990 with the British Pound (Sterling) trading in a band of six percent above or below a central rate of 2.90 marks per Pound. But Britain was forced to come out of ERM in September 1992 after the Pound came under pressure from currency speculators. The pound traded at above US\$2 during this period and once Britain was out of ERM, the Pound depreciated against the US\$. In June 2001, after the Labour party won the general elections, Pound touched a 15-year low of 1.3677 to the US\$. After that, the Pound has been gradually appreciating against the US\$ and touched a 26-year high of 2.0133 against the US\$ on April 18, 2007. The move was triggered by data showing the Consumer Price Index (CPI) rising to 3.1% in March 2007, the highest level since the series began in January 1997. Interest rate differentials have been an important driver for the Pound. Bank of England's monetary policy objective is to deliver price stability defined by an inflation target of 2%. The inflation target of 2% is expressed in terms of an annual rate of inflation based on the CPI. To contain the upward rise in the inflation outlook, BOE has raised interest rates to 5.5% on May 10, 2007, its fourth quarter percentage point increase since August 2006. Economists are expecting another rate hike in the coming months. Decline in Sterling would be limited as concern about the US trade deficit would keep the US\$ on its broad downward

trend. A Reuters poll of currency strategists on UK's foreign exchange outlook has predicted that the Pound will hover around 2 to the US\$ over the next three months and will dip to 1.97 in six months, once inflation comes under control and interest rates peak out. On June 29, 2007 the Pound was trading at 2.0092 against the US\$.

Australian Dollar-

The Australian Dollar has been floating independently against the US\$ since 1983. Since commodities account for a large proportion of Australia's exports, there is a close link between commodity prices and the Australian dollar. When world prices of commodities rise, the Australian dollar tends to appreciate and vice versa. As a result, the Australian dollar is sometimes described as a 'Commodity currency'. Australia is one of the biggest exporters of industrial minerals and has benefited from the rise in commodity prices due to demand for resources from China and India. The Australian dollar touched a 17-year high of 0.8474 against the US\$ on June 7, 2007 on account of strong capital flows, yield advantage and firm commodity prices. The Reserve Bank of Australia (RBA) raised its interest rate to 6.25% on November 8, 2006 and has kept it constant since then. The Australian dollar has benefited from this yield advantage, where investors borrow in low- yielding currencies like Yen to invest in high yielding currencies popularly known as carry trade. The Australian dollar is likely to appreciate in the short term on rising commodity prices and expectations of rate increase by RBA. The Australian dollar on the other hand could weaken if there is a risk aversion to high yielding currencies and increase in current account deficit. On June 29, 2007 the Australian dollar was trading at 0.8445 against the US\$.

Inclusive Globalisation: Tackling Chronic Poverty

The Twenty Second Commencement Day Annual Lecture of Exim Bank was delivered by Dr. David Hulme, Professor of Development Studies and Founder Director of the Chronic Poverty Research Centre (CPRC), University of Manchester, United Kingdom. The subject of his lecture, **“Inclusive Globalisation: Tackling Chronic Poverty”**, highlighted the importance of the process of globalisation reaching out to a much larger section of people in a way that would raise capabilities, incomes and standards of living of people across countries, rather than the present pattern which marginalizes those who need to benefit from it most.

Dr. Hulme’s extensive research on the subject of poverty across nations revealed the extent of deprivation that exists in spite of advancement in infrastructural facilities and economic systems. He drew upon his interactions with scheduled tribes in Chhatisgarh as well as disabled groups in Uganda, their perceptions of their condition and disaster management systems, concluding that people in chronic poverty are those who have benefited least from economic growth and development, in spite of supposedly being the target group of beneficiaries. These people who are born into abject poverty, live and die in abject poverty have no hope of ever breaking through this cycle. They are inter-generationally poor, experiencing multi-dimensional deprivation: income and/or health and/or education

Exim Bank’s Annual Lecture series, instituted in 1986 to mark the Bank’s Commencement Day, has earned recognition by way of contributing to the debate and discussions on contemporary trade and development issues impacting the global economy.

deprivations at the same time. It is the combination of capability deprivation, low levels of material assets, and social or political marginality that keeps poor people poor over sustained periods. Dr. Hulme drew upon his research of poverty in China exploring the mutually reinforcing link between poverty and the lack of power of poor households. The lack of the basic assets necessary for household food production or entrepreneurial activity, and the consequent dependence of households on insecure paid jobs and on networks of patronage renders them and their members profoundly marginal.

Speaking on the subject of tackling chronic poverty in India, Dr. Hulme elaborated on the poverty eradication schemes initiated by the Government of India, such as the National Rural Employment Guarantee Scheme and the Integrated Child Development Services Programme which, though well-designed, were ineffective due to poor implementation and monitoring. Opportunity is not enough for chronically poor people to escape poverty. What is needed is empowerment by way of targeted support, social assistance and social protection, and political action that confronts exclusion. Inclusive policies which acknowledge that socially excluded, poor or vulnerable people are not a homogenous group and have a right to be included in development work, are required to be framed. Policies for improving political, economic and corporate governance so as to create a favorable policy environment and investment climate for mobilizing domestic resources and attracting foreign investment, both direct and official, are needed. Overcoming chronic poverty needs a framework that prioritises livelihood security

for all, puts more chronically poor people in a position where they can take up opportunities, takes empowerment seriously and recognises obligations to provide resources.

Dr. Hulme recommended that development policy must go beyond issues of economic growth, and focus more on discrimination, inequality and exploitation. Given the interconnected nature of our global society, real progress cannot be made until there is a sizable transfer of resources to those countries that have the highest levels of chronic poverty. Above all, the political will to acknowledge and act on our obligation to eradicate global poverty, must be continually strengthened.

In conclusion, Dr. Hulme explored the role that India might play in steering the process of globalisation so as to improve the lives of the world’s poorest people. The country’s historical orientation to seeing a role for the state in providing welfare, its intellectual legacy of leading thinking about poverty and broader national interests indicate that India could follow a different trajectory in terms of global poverty reduction.

“Looking through the Kaleidoscope: India and Globalisation” - a compendium of Exim Bank’s Commencement Day Annual Lecture Series for the period 1986 to 2006, in commemoration of twenty-five years of operations of Exim Bank, was released at the function.

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Note: Indian Rupees are referred in crore and lakhs:

1 crore : 10 million

1 lakh : 100 thousand

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