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In this issue

Economic Overview of the African Continent

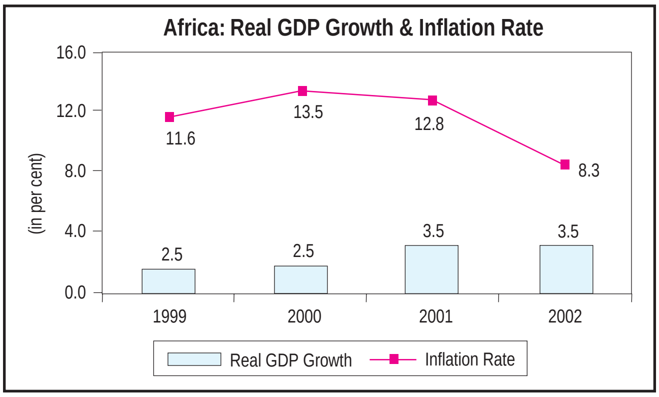
With signs of global slowdown, the events of September 11 in the United States resulted in a significant deterioration in the near-term global growth outlook, with the transmission effects of the sharp US slowdown flowing to the rest of the world. Africa's economic growth in late 2001 and prospects for 2002 have been adversely affected by weakening global commodity prices, which have fallen in response to the sharp slowdown in world industrial production and economic growth. Growth forecasts for Africa have been revised downwards by the IMF, as part of its overall revision to global growth prospects. As per the IMF's World Economic Outlook, December 2001, Africa's economic growth for 2001 has been estimated at 3.5%, as compared with the previous estimate of 3.8% in October 2001. The forecast for 2002 has been revised downwards even more significantly, with growth projected at 3.5%, as against the earlier forecast of 4.4%.

With near-term global economic prospects having deteriorated, the macroeconomic challenges for most of the countries in the region are greater than before. The weakening outlook for the global economy creates risks of sustained commodity price weakness for many agricultural and mineral commodities. Despite the many challenges that are currently facing Africa in its development path, many African countries are currently showing considerable progress through improving macroeconomic management and continued structural reforms.

Recent Development – Region-wise

Notwithstanding the impact of global economic slowdown, the 3.5% GDP growth estimated for Africa in 2001 is higher than the 2.8% growth achieved during the previous year. This has been primarily due to substantial improvement in the Maghreb region and a more modest increase in activity in sub-Saharan Africa. Inflation is expected to remain subdued in the Maghreb region, as well as most countries of sub-Saharan Africa, although it remains a concern in some countries including Angola, Ghana, Nigeria and Zimbabwe (Table and Chart). While the current account deficit in the region remains small, reflecting large surplus in oil and gas producing countries, many sub-Saharan countries are continuing to register large deficits, due to weak non-fuel commodity prices and high external debt servicing costs.

In North Africa, reflecting the rebound after the severe drought, economic activity recovered in *Morocco* with an estimated GDP growth of 6.1% in 2001. Drought-induced recession in the agricultural sector had resulted in the economy growing by just 0.8% during 2000. Although exports of goods are expected to pick up in 2002, subdued global demand and weak tourism growth would impact overall activity. In the medium term, the benefits of economic reform are expected to filter through. Priorities in 2002-03 would be to reduce unemployment and reverse the increase in poverty caused by a decade of uneven growth. Government policy will seek to achieve the 5% annual real GDP growth envisaged in the 2000-04 five-year plan and create jobs for increasing external competitiveness and investment in productive sectors and infrastructure. In *Algeria*, the oil stabilisation fund set up during the recent period of high oil prices would help cushion the downturn in activity, and growth is expected to be relatively well sustained at around 3.5%. In *Tunisia*, however, despite growth in manufacturing sector, further contraction in agriculture sector is estimated to have slowed down overall activity during 2001. Reflecting this, real GDP growth is estimated at 4.0% in 2001, down from 4.7% during the previous year. Increased regional security concerns have contributed to a downturn in tourism



on overall growth. Private sector activity and investment would also receive a boost as the government makes progress with its long delayed privatisation programme. Resumption of donor support should boost consumer and business sentiment from mid-2002. In Uganda, which is of particular importance for *Egypt*.

In West Africa, despite strong growth in the agricultural and government sectors, coupled with fairly high levels of capital expenditure and construction, the rate of real GDP growth in *Nigeria* is estimated to have been at 3.0% in 2001, as compared to 3.8% growth during the previous year. Limited growth in oil production resulting from the country's OPEC quota had constrained growth. Marked improvement in fiscal and monetary discipline and enhanced macroeconomic stability in recent period has boosted the outlook for *Ghana*. Reflecting this, real GDP growth is expected to gradually increase from 3.7% in 2000 to 3.9% in 2001, and further to 4.3% in 2002. At the same time, growth will be driven by increased agricultural production, led by cocoa and food crops, which is expected to experience a sharp recovery from the extremely low growth rate recorded in 2000. Further, the inflation rate is expected to show a downward trend due to the government's tight fiscal and monetary policies. In *Cote d'Ivoire*, however, weak commodity prices and political uncertainty had an impact on economic activity, while in *Sierra Leone*, efforts are underway for post-conflict economic stabilisation and recovery.

In East and Central Africa, severe drop in coffee prices had contributed to weak export earnings and high external trade deficit in *Kenya* and *Uganda*. In Kenya, recovery in both agriculture and manufacturing would boost overall activity, and continued recovery of tourism would also have a positive effect increased export diversity will help mitigate the negative impact of low global commodity prices, as continued fall in coffee prices would impact coffee exports earnings, the country's largest export item. In *Sudan*, economic policy would remain focused on the country's four-year-old IMF-approved economic reform programme, and on efforts to develop the oil industry, and the government has restated its commitment to privatisation. In *Ethiopia*, restoration of external lending, and reductions in military spending, would improve growth prospects, with real GDP growth estimated at 7.3% in 2002, from 4.5% registered in 2000. In *Tanzania* and *Cameroon*, relatively healthy growth is expected reflecting sound macroeconomic and structural policies.

In Southern Africa, vulnerability of *South Africa* to external shocks has been substantially reduced as a result of sound macroeconomic policies, and inflation is expected to come back within the target range of 3-6%. Real GDP growth is expected to remain at around 2.3%, with the current account moving to a surplus. Short-term prospects, however, have been weakened by the global slowdown given the country's strong trade and financial linkages with the advanced economies. In addition, regional uncertainty has continued as a result of the ongoing economic and political difficulties in *Zimbabwe*.

Africa: Challenges to Long Term Growth

Despite the many challenges that are currently facing Africa, many countries are currently showing considerable progress through improving macroeconomic management and continued structural reforms. Pursuit of sound macroeconomic and structural policies has boosted the outlook for private investment, economic diversification and long-term growth in countries such as South Africa, Mauritius, Botswana, Cameroon, Ghana, Tanzania and Uganda. Even countries which are among the poorest in the world, such as Mozambique and Tanzania, have demonstrated that through committed government reforms and market liberalisation strategies, rapid economic development is possible. In contrast, poor policy performance, often combined with political uncertainty and conflict has severely affected prospects for sustained growth and for reduction in poverty in countries such as Zimbabwe and Cote d'Ivoire.

The central challenge remains how best to improve the environment for growth and investment, particularly through improving public service delivery including education, and poverty relief, promoting conflict resolution and prevention, strengthening infrastructure, liberalising trade, and improving governance. Global and commodity market developments notwithstanding, the main responsibility for such progress lie with local governments themselves. In this regard, recent developments are encouraging, including the *New Africa Initiative*, which emphasises the principle of African ownership, leadership and accountability in eliminating obstacles to sustained growth. These efforts are being supported by the enhanced initiative for Heavily Indebted Poor Countries (HIPC).

While the primary responsibility for achieving the conditions for rapid and sustained growth lies with the countries themselves, the international community also has responsibility in securing consistency and coherence between international and domestic policy actions. Just as greater domestic policy efforts cannot make up for shortcomings in the external trading and financial environment, increased aid and better

Table: Real GDP Growth & Inflation in Select African Countries

	Real GDP Growth (%)				*Consumer Prices (%)*			
	1999	*2000*	*2001f*	*2002f*	*1999*	*2000*	*2001f*	*2002f*
Africa	2.5	2.8	3.5	3.5	11.6	13.5	12.8	8.3
Maghreb								
Algeria	3.2	2.4	3.6	3.4	2.6	0.3	3.7	5.2
Morocco	-0.7	0.8	6.1	4.4	0.7	1.9	2.5	2.3
Tunisia	6.1	4.7	4.0	4.0	2.7	2.9	2.0	2.9
Sub-Sahara								
Cameroon	4.4	4.2	5.3	5.5	2.9	0.8	2.0	2.0
Cote d'Ivoire	1.6	-2.3	-1.0	3.5	0.7	2.5	4.0	3.6
Ghana	4.4	3.7	3.9	4.3	12.4	25.2	33.1	19.8
Kenya	1.3	-0.2	1.1	1.4	6.1	7.1	5.0	5.0
Nigeria	1.1	3.8	3.0	2.7	6.6	6.9	18.5	14.5
Tanzania	4.8	5.1	5.9	6.2	6.3	6.2	5.2	4.4
Uganda	7.9	4.4	4.9	6.3	-0.2	6.3	4.3	5.0
South Africa	1.9	3.1	2.2	2.3	5.2	5.4	5.8	4.5

f -forecasts

Source, International Monetary Fund and Economist Intelligence Unit

trading conditions cannot offset the adverse consequences of misguided domestic policies. International actions exert a major influence not only on the external conditions facing Africa, but also on domestic policies through aid conditionality and stabilisation and adjustment programmes supported by the Bretton Woods institutions.

The HIPC Initiative in Africa

In September 1996, the IMF and the World Bank jointly launched the Heavily Indebted Poor Countries (HIPC) Initiative to address the problem of unsustainable debt burdens in poor countries, mainly in Africa. The rationale of the Initiative is that for a number of low income countries, with extremely difficult external debt situation, even full use of traditional mechanisms of rescheduling and debt reduction may not be sufficient to attain sustainable external debt levels within a reasonable period of time and without additional external support. The Initiative is designed to provide exceptional assistance to eligible countries following sound macroeconomic policies to help them reduce their external debt burden to sustainable levels. Central to the HIPC Initiative is the country's continued efforts toward macroeconomic adjustment and structural and social policy reforms.

To qualify for assistance under the HIPC Initiative, an eligible country enters into a macroeconomic reform and structural adjustment programme supported by the IMF-World Bank, with concessional financing. After successfully establishing a track record for three years (first stage) under these adjustment programmes and rescheduling agreements with the Paris Club official creditors, a country reaches its *decision point*, where the IMF and the World Bank determine the country's eligibility for assistance under the Initiative on the basis of the results of a comprehensive debt sustainability analysis. Where a country is deemed eligible for assistance under the Initiative, the assistance is delivered at the *completion point* (the second stage). From the inception of the HIPC Initiative until September 1999, the IMF and the World Bank considered 14 countries for eligibility under the HIPC Initiative, and agreed to extend assistance to seven, viz. Uganda, Bolivia, Burkina Faso, Guyana, Cote d'Ivoire, Mozambique and Mali.

In September 1999, the HIPC Initiative was enhanced in the context of strengthening the links between debt relief, poverty reduction and social policies by providing faster, deeper and broader debt relief. The main goals are reducing the proportion of people living in extreme poverty by at least one half by 2015 (from the 1990 level); achieving universal primary education in all countries by 2015; eliminating gender disparity in primary and secondary education by 2005; and reducing child mortality by two-thirds and maternal mortality by three-fourths by 2015 (from the 1990 level). For Africa, the enhancements to the HIPC Initiatives resulted in a broadening of the number of countries that could qualify for debt relief to 33. A critical element in the HIPC Initiative is that every country prepares an *Interim Poverty Reduction Strategy Paper (IPRSP)* and then a *Poverty Reduction Strategy Paper (PRSP)* through a consultative process.

As in February 2002, 42 countries have been grouped under the HIPC Initiative, of which HIPC relief has been approved at decision point for 25 countries, *viz.* Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Tanzania, Uganda and Zambia. In respect of 13 countries, *viz.* Burundi, Central African Republic, Comoros, Congo Democratic Republic, Republic of Congo, Cote d'Ivoire, Lao P.D.R, Liberia, Myanmar, Sierra Leone, Somalia, Sudan and Togo, decision point has not yet been reached. Further, four countries, *viz.* Angola, Kenya, Vietnam and Yemen, are considered potentially sustainable cases.

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 (WB), Asian Development Bank (AsDB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD) and Japan Bank for International Cooperation (JBIC) are given alongside.

Interested exporters need to contact the concerned Executing Agencies to pursue the business opportunities. Our Multilateral Funded Projects Overseas (MFPO) team at Centre One, World Trade Centre Complex, Mumbai would be glad to be of help, if you keep us advised. Please contact Ms. Karishma Borgohain/ Ms. Geeta Pruthi on Tel: 2185272 Extn: 2305/2301.

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Bhutan/ Department of Power (DOP), Thimpu Bhutan Tel. No. : 975-2-323457 Fax. No. : 975-2-32279	Rural Electrification and Network Expansion Project/ The objectives of the project are to establish the technical and economic feasibility of a rural electrification network expansion project and to provide DOP with capacity for preparing similar future projects for AsDB financing.	Asian Development Bank US$ 0.7 mn
Mauritius/ Wastewater Management Authority (WMA) 5th Floor, Aisha Building Louis Pasteur Street, Port Louis, Mauritius Tel: +263 242 64 44/ 241 55 44; Fax: + 263 242 16 49 Email: wwa@bow.intnet.mu	Plaines Wilhems sewerage Project/ The objective of the project is to contribute to sustainable socio-economic development by protecting the coastal environment, averting pollution of water resources and reducing the health risk due to flooding. The project will provide environmentally appropriate sludge and sewerage systems.	African Development Bank US$ 5.3 mn
Russia/ Ministry of Finance Iljinka Str., 9, 103097 Moscow, Russian Federation Tel: (7-095) 298-92-93 Fax: (7-095) 298-39-76 Contact Person: Mr. Alexey Lavrov	Fiscal Federalism and Regional Fiscal Reform Project/ The project seeks (i) to improve the overall framework for inter-governmental finance in the Russian Federation, including revenue and expenditure assignments, transfers and sub-national borrowing; and (ii) to support the regions in the development and implementation of a fiscal reform program that will promote financial transparency, budgetary accountability, and strengthened fiscal management policies and practices at the regional level.	World Bank US$ 2 mn
Tajikistan/ Ministry of Transport 3 Khakimzoda St., Dushanbe, Tajikistan Tel. No.:992-372-211713 Fax No.: 992-372-212003 Contact Person: Mr. Abdujalol Salimov	Road Rehabilitation II Project/ The objective of the project is rehabilitation of the Dushanbe-Garm-Jirgatal-Kyrgyz border road. The Project will also identify the need to improve the rural roads connected to the main road to extend access and economic benefits to the communities along these roads and to alleviate poverty in the communities.	Asian Development Bank US$ 1.2 mn

Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Tanzania/ Dar Es Salaam Water Supply and Sewerage Authority P.O Box 1573, Dar Es Salaam, United Republic of Tanzania. Tel. : 255 22 2 13 11 91/4; Fax : 255 22 2 11 09 99	Dar Es Salaam Water Supply and Sanitation Project/ The project will involve the rehabilitation and extension of water supply and wastewater facilities as well as the implementation of a community water supply and sanitation programme. It will also contribute to institutional strengthening and the promotion of private sector partnership in the management of water supply and sanitation projects.	African Development Bank US$ 12.5 mn
Tunisia/ Ministry of Agriculture 30, Rue Alain Savary, 1002 Tunis Tel: 216-1-842-687 Fax: 216-1-890-904 Contact: Mr. Abdullah Mallek, Director General, DGFE	Agricultural Support Services Project/ The Agricultural Support Services Project aims to develop, on a pilot basis, organizational structures for producers that represent their needs and interests; and improve the institutional capacity and quality of agricultural services delivered by public and private institutions and producer organizations; and improve the flow of information for all stakeholders.	World Bank US$ 15.45 mn
Ukraine/ Mariupol Vodokanal 7 Varganova Street, 87500, Mariupol, Ukraine Tel/Fax No.: +38 0629 33 62 87 Email: vodokanal@mariupol.net Contact Person: Vasily Dmitrievich Malykhin	Mariupol Municipal Utility Development Project/ The proposed project involves a loan to the municipal water utility in the city of Mariupol and the introduction of an international water utility operator under a performance based management contract.	European Bank for Reconstruction and Development US$ 4.5 mn
Vietnam/ Ministry of Transport 2 Ngoc Ha, Hanoi, Vietnam Tel: (84-4) 843-8689 Fax: (84-4) 843-8793	Cuu Long (Can Tho) Bridge Construction Project/ The project seeks to have a boosting effect on the economy leading to employment creation and improving the environment for private investment through increasing the efficiency of the transport and distribution sectors.	Japan Bank for International Cooperation US$ 4.5 mn

CONTRACT AWARDS

Select contracts secured by Indian companies during the quarter:

M/s Alstom Limited, Chennai	Supply Contract under Sustainable Rural Electrification Project, secured in Bhutan funded by Asian Development Bank.
Maruti Udyog Limited, Gurgaon	Contract for supply of cross-country vehicles under Primary Education Development Project, secured in Bangladesh funded by World Bank.
Bharat Heavy Electricals Limited, New Delhi	Turnkey Contract under Rumailla Power Project, secured in Iraq, under United Nation's Oil for Food Programme.
Lucky Agro Limited, New Delhi	Supply Contract of diagnostic ultrasound equipment under Community Social Infrastructure Project, secured in Russia, funded by World Bank.

CMYK

Participation of Indian Companies in African Development Bank Funded Projects

The African Development Bank (AfDB) Group is a multinational development bank, headquartered in Abidjan , Cote d' Ivoire, supported by 77 nations (member countries) from Africa, North and South America, Europe and Asia. India is one of the 24 non-Regional Member Countries.

AfDB is the premier development financial institution of Africa, engaged in contributing towards the economic and social progress of its Regional Member Countries. During 1996-2000, cumulative lending of AfDB amounted to US Dollar 7.09 billion. These lending operations were in the form of project lending, policy-based lending, technical assistance grants, special relief fund, equity participation and guarantees.

The major sectors funded by the Bank include Agriculture and Rural Development, Transport, Public Utilities, Industry and Social Infrastructure. Maximum lending went to North Africa followed by West Africa, Southern Africa, East Africa and Central Africa.

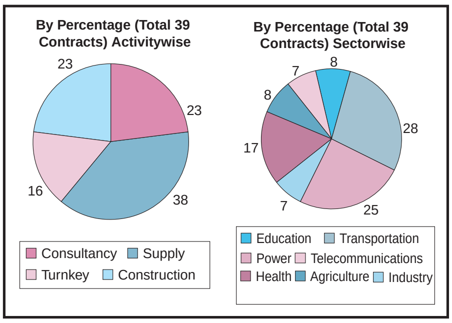
Projects funded by AfDB, present attractive business opportunities for suppliers, contractors and consultants. They arise in almost all fields and sectors such as power, water supply and sanitation, transport, infrastructure, software, telecommunication, agriculture, education and health. Due to the relevant experience in such sectors, Indian companies are often well placed to secure such contracts.

Participation of Indian Companies in Projects funded by AfDB during 1996-2000

Indian companies such as Telecommunications Consultants India Limited, Educational Consultants India Limited and Bharat Earth Movers Limited have secured contracts in projects funded by AfDB in Malawi, Mozambique and Tanzania respectively.

An analysis, based on information available with Exim Bank, reveals the following:

- Since 1996, Indian companies have submitted 59 bids valued at Rs. 136 crores.
- Of these 59 bids submitted, Indian companies secured 39 contracts valued at Rs. 48 crores.
- The main sectors where Indian project exporters have secured contracts are energy and transportation. These include design, supply, installation and commissioning of transmission lines and substations, management and maintenance of power plants, construction of roads & rail-links and modernization of transport infrastructure.



There exists substantial potential for Indian companies to increase their share in the available business opportunities.

India's share in procurement:

India's share vis-a-vis select non Regional Members for Calendar Year 2000 is summarised below:

Disbursements

Country	Amount (USD mn)	%
India	5.5	0.8
China	13.6	2.0
France	64.3	9.4
Italy	54.8	8.0
United Kingdom	15.5	2.3

Bids Submitted/Contracts secured

Countries	Bids Submitted				Contracts Secured			
	Number		Value of bids (USD million)		Number		Value of contracts (USD million)	
	Amount	%	Amount	%	Amount	%	Amount	%
India	21	1	31.8	2	5	1	3.28	2
China	51	3	97.7	7	10	2	38.6	17
France	96	6	108.9	8	36	8	9.1	4
Italy	20	1	62.34	5	1	0.2	7.32	3
United Kingdom	82	5	105.8	8	17	4	36.1	16

(Source: AfDB Procurement Report - 2000)

Exim Bank-IFC Arrangements for Engagement of Indian Consultants: Analysis

Exim Bank promotes exports of Indian consultancy through a range of support programmes. The Bank has participated in several initiatives of International Finance Corporation (IFC), part of the World Bank Group, to facilitate their utilisation of Indian consultants under IFC supported facilities/ programmes, worldwide. These Facilities engage consultants for the provision of a variety of technical assistance to entrepreneurs.

Under the now well established arrangements developed with IFC, Exim Bank assists these Project Facilities in their recruitment of Indian consultants, and meets the professional fees of the consultants selected by IFC. Exim Bank thus plays a pro-active role in encouraging the use of Indian consultants.

Arrangements with IFC currently cover:

- Africa Project Development Facility (APDF)
- African Management Services Company
- Africa Enterprise Fund
- South Pacific Project Facility
- Mekong Project Development Facility
- Southeast Europe Enterprise Development Facility
- Technical Assistance Trust Funds Programme

It is proposed to extend the Arrangements to cover other Facilities recently set/ being set in place by IFC. These include programmes covering the CIS countries, China and South Asia.

Consultancy assignments under these arrangements typically include pre-feasibility studies, project and investment related services, management information systems, operations and maintenance support, financial services, and training, with the beneficiaries being primarily small and medium enterprises. Such assignments span a variety of sectors including agriculture, agro-industry, consumer goods, light engineering, other manufactures, telecom, information technology and management information systems.

Exim Bank maintains a database of Indian Consultants (DINCON), and taps into this database and other resources when identifying individual consultants for IFC's consideration. Exim Bank's support programme creates increased visibility for Indian expertise and helps introduce Indian consultants into the international arena. This also creates potential for downstream linkages, and follow-on assignments.

Exim Bank has conducted an analysis to assess the impact of the assignments undertaken by Indian consultants with such support from Exim Bank. Some of the findings of the study:

- The working arrangements with IFC were first set in place with APDF. APDF provides technical assistance to clients in sub-Saharan Africa in the preparation of bankable investment proposals. It also helps them find local and foreign financial and technical partners, raise debt and equity financing. IFC/ APDF's experience in utilising the services of Indian consultants identified by Exim Bank has been positive. This has led to similar arrangements being set in place with other IFC Facilities as well.
- The nature of requirements varies significantly based on the Facility. However, given the available vast pool of expertise, it has been possible for Indian consultants to handle successfully diverse assignments. To cite a few instances:
  - Tyre retreading plant - Vietnam
  - Sugar project - Cote d'Ivoire
  - Pharma R & D project - Ghana
  - Investment banking and allied training - East Africa
  - Housing finance system - Bangladesh
  - Poultry project - Nigeria
  - MIS/ Cost accounting systems – Poland
- Many consultants selected under these Arrangements were without significant international experience, particularly involving multilateral agencies.
- A number of these consultants have since secured follow-on or additional assignments. In some cases, multiple assignments have also been secured. Assignments so secured include:
  - Benchmarking missions - Kenya, Zimbabwe
  - Soaps and detergents feasibility studies - several African countries
  - Wool Secretariat – Vietnam
  - Inspection of bicycle plant and machinery in Taiwan
  - Accounting software systems - Uganda
  - Transfer of agricultural technology
- Many consultants have also fielded enquiries regarding import of technology, capital goods and services from India for projects with which they were involved. Transfer of technology, exports of capital goods, raw materials and associated services from India have occurred. For example:
  - Oil extraction machinery - Tanzania
  - Textile machinery, spares - Kenya
  - Tablet coating materials - Ghana
  - Printing machinery - Madagascar
  - Can making machinery - Vietnam

Exim Bank has supported over 70 such projects under the various Facilities involving more than 2500 mandays. IFC seeks to identify and help address investment needs in the developing world through donor supported technical assistance programmes. Exim Bank, by partnering IFC through the provision of skills and expertise from India that match the identified technical assistance needs, contributes ' in kind' to the attainment of the objectives of the Project Facilities.

Success Story: Associated Cement Companies Ltd.

The Associated Cement Companies Ltd. (ACC) is a pioneer of the cement industry in India. Set up in 1936, with the amalgamation of ten existing cement companies, ACC is today the largest cement company in India with an annual cement capacity of 16 million tonnes. ACC mainly manufactures and markets cement, refractories and refractory products, and provides consultancy and engineering services.

ACC has also extended its services overseas to the Middle East, Africa, and South America, where it has provided technical and managerial consultancy services. Noteworthy among these is its consultancy contract for operating and managing cement plants of Yanbu Cement Company (Yanbu Cement) in Saudi Arabia for the past 23 years.

In 1979, ACC was awarded a contract against stiff global competition, for operation and maintenance of a cement plant owned by Yanbu Cement. The scope of work involves rendering technical services and providing technical know-how and expertise for the operation, maintenance and efficient working of the plant with a capacity of 1.2 million tonnes clinker per annum. Sizeable manpower was deputed for the contract inclusive of unskilled, skilled technicians and management staff. The contract also entails training Saudi personnel to help Yanbu Cement achieve their programme of “Saudization” in line with the policy of the government of Saudi Arabia, as result of which manpower deployed by ACC from India has been steadily decreasing over the years. The cement plant at Yanbu is equipped with advanced sophisticated process control systems that call for a high degree of operating skills, and capability to find innovative solutions. These challenges have consistently been met by ACC considering its expertise in cement technology and its well-developed research and development facilities based in India. ACC has been successfully executing the contract since 1979 with average annual contract value being in the range of Rs. 20 crores per annum.

Yanbu Cement expanded its capacity to 3.3 million tonnes per annum by commissioning its fourth and largest kiln of 7000 TPD clinkering capacity in 1997. Based on the capability demonstrated by ACC for its earlier contract, Yanbu Cement awarded the contract for management, operation and maintenance of its production line 4 of their cement plant also to ACC. This plant incorporates the latest technology in digital process control with efficient management of thermal/electrical energy and manpower. ACC has been successfully executing the contract since 1997 with average annual contract value being in the range of Rs. 10 crores per annum for this production line.

ACC has sustained its performance with respect to capacity utilisation, productivity and quality management over the last two decades. ACC has placed an efficient management team at Yanbu and has been able to deploy a number of skilled technicians and qualified engineers in various disciplines with vast experience from its various plants across India. ACC has been responsible for providing and developing product know-how with regard to special varieties of cement such as sulphate resisting cement, various types of portland cement and low alkali cement produced by Yanbu Cement which command a premium in the international market. ACC has also been instrumental in ensuring achievement of various quality standards such as ISO-9002 certification, BENOR (Belgian quality standard), CE certification and ISO 14001 for Yanbu Cement. ACC’s assistance and involvement in these projects has been instrumental in Yanbu Cement emerging as one of the top 100 companies in Saudi Arabia.

Based on ACC’s excellent track record, Yanbu Cement has renewed both contracts from time to time, the latest renewal being from March 2002 for a period of three years. ACC has exceeded the guaranteed production as stipulated in the contracts for the last eleven consecutive years, and during the financial year 2000-01 it earned the highest bonus during the tenure of its contracts with Yanbu Cement. Ever since the inception of its contracts with Yanbu Cement, ACC has repatriated substantial foreign exchange to India.

Exim Bank has been supporting these project export contracts of ACC by extending guarantees as well as other facilities required for the contracts.

The competence demonstrated by ACC in these contracts, over an extended period, is a clear indicator that project exports from India have the potential to develop into success stories, benefiting not only the exporter but also the nation by boosting the image of Indian project exports globally, providing employment opportunities as well as earning valuable foreign exchange.

National Seminar on "Export of Agricultural Products: Prospects & Challenges", Pune

Recognising the criticality of the agriculture sector for India's economic growth in general, and growth in exports in particular, Exim Bank is in the process of launching a series of new initiatives for the promotion of India's agro-exports. As a part of this focus on promoting agro-exports, Exim Bank of India, in association with Bank of Maharashtra, organised a National Seminar on "Export of Agricultural Products: Prospects and Challenges" in Pune on January 21-22, 2002. The Union Minister of State for Finance, Mr. Balasaheb Vikhe Patil, was the Chief Guest. Prof. Y.K. Alagh, former Union Minister and eminent agricultural economist, inaugurated the seminar.

The seminar, the first of its kind in India, focused on developing viable strategies for enhancing international competitiveness of Indian agri-products. It brought together international experts, industry specialists, representatives from government, corporates, and senior bankers, who interacted directly with agricultural producers, progressive farmers, farmer's organisations, suppliers of agri-inputs, and exporters.

In his inaugural address, Mr. Balasaheb Vikhe Patil, Union Minister of State for Finance, said that inspite of the various strengths in the agricultural sector, India has not been able to take its rightful place in the global agricultural trade due to some constraints like conflicting policies relating to production, storage, distribution, food security and pricing concerns. He said that a paradigm shift is taking place in Indian Agriculture following the post- WTO free trade environment, post industrial society and the digital age that is now emerging. He also mentioned the importance of WTO in Indian Agriculture and that in these days of liberalisation, the Indian Kisan (farmer) is the original private sector entrepreneur. Prof. Y. K. Alagh, former Union Minister and eminent agricultural economist, said that agriculture holds the key to the development of the Indian economy and a massive programme for land and water development led by public initiative is crucial. He added that strategic alliances must be encouraged and newer institutional forms like cooperatives, NGOs, non profit companies etc. will have a bigger role.

The seminar was dedicated to the memory of late Prof. D.R. Gadgil, economist and a great citizen of Pune, and late Padmashri Dr. Vithalrao Vikhe Patil, eminent agriculturist and reformer, both of whose birth centenaries are being commemorated.

The seminar covered various issues including constraints and prospects of value-added exports, with particular focus on fruits, vegetables, and herbal products; export strategy for cereals, pulses and oilseeds; biotechnology development in Asia and food security, covering the role of biotechnology in agriculture and its various application; international trade and marketing of commodities; international perspective on agri-financing and future trends in financing agri-products for exports; post-WTO trade in agriculture with particular focus on prospects and challenges, quality standards – sanitary and phytosanitary measures.

The seminar also focussed on issues relating to export potential in organic farming with special focus on organic tea and spices; export of agri-consultancy services; Agri Export Zones (AEZ); regulatory issues relating to agri-biotechnology products in India and overseas; and export potential of meat products.

A special feature of the seminar was the confluence of organisations who shared the successful strategies behind their export success stories in the agro-sector. In this context, Mr. Yaacov Tsur, Chairman, Agricultural Export Co. Ltd., Israel, highlighted the critical success factors behind Israel's emergence as a global exporter of fruits and vegetables. Further, the seminar was unique in the way it addressed both technological as well as commercial aspects of the agri-industry, with particular focus on exports.

The emerging WTO regime offers considerable scope for export of Indian Agricultural Products to the global market. This calls for a closer look at the opportunities offered by agri-products, and at their competitiveness in the international markets. This seminar thus served as a forum for making an assessment of the present scenario and evolving a strategic market development plan, while also endeavouring to develop viable strategies for enhancing international competitiveness of Indian agro-products.

Key overseas speakers at the seminar included Mr. Yaakov Tsur, Chairman, Agricultural Export Co. Ltd., Israel, Dr. Sutat Sriwatanapongse, Director, Thailand Biodiversity Centre, Bangkok, and Dr. Ashok Patil, rural agricultural expert, Sweden. Some key Indian speakers were Dr. Budhajirao R. Mulik, Vice President, Asian Association of Agricultural Engineering, Dr. S.S. Kadam, Dean, Faculty of Agriculture and Director of Instruction, Mahatma Phule Krishi Vidyapeeth, Dr. S.P.S. Khanuja, Director, Central Institute of Medicinal & Aromatic Plants, Mr. Hemendra Kumar, Chairman, National Mission for Oilseeds, Ministry of Agriculture, Dr. Muhammed Majeed, Chairman and Managing Director, Sabinsa Corporation, Dr. H.Z. Ali, Head, Department of Grain Science Technology, Central Food Technological Research Institute, and Dr. Anupam Verma, National Professor, Plant Virology, Department of Plant Pathology, IARI.

Exim Bank Study Highlights the Prospects and Challenges of the Agro and Processed Foods Sector

Exim Bank's Occasional Paper on "*Agro & Processed Foods: A Sector Study*" was released by Hon'ble Union Minister of State for Finance, Mr. Balasaheb Vikhe Patil, being at the National Seminar on **Exports of Agricultural Products: Prospects and Challenges** in Pune on January 21-22, 2002, jointly organised by the Export-Import Bank of India and Bank of Maharashtra.

The Study is part of Exim Bank's endeavour to enhance the competitiveness of Indian exporters. Exim Bank periodically conducts studies on sectors, countries as also on select macro-economic issues, the findings of which are published as Occasional Papers.

The Study highlights that the Agro and Food Processing sector ranks fifth in terms of its contribution to India's GDP and employs around 18% of the country's industrial force. Exports from the sector have gone up from Rs 2,821 crores in 1991-92 to an estimated Rs 10,770 crores in 2000-01.

In India, the Agro and food processing sector holds significant potential for India's future development because of the ingredients it has for promoting vital linkages between the Agriculture and the Industry sectors of the economy, thus propelling both the sectors in the course of its growth. Though the sector has a number of weaknesses, the Study points out that sustained efforts at the growth and promotion of the Food Processing sector in India can lead to immense benefits to the economy through raising agricultural yields, creating greater employment and raising the standards of living of a large number of people.

According to the Study, India's strength in the Agro and processed foods sector include round-the-year supply of raw material, trained and cheap manpower, being largest producer of milk in the world, largest livestock population in the world, fifth largest producer of eggs and sixth largest producer of fish. Besides, the strategic geographic location of being close to the Middle-East and South-East Asian countries is also India's strength in so far as these countries are important destinations for a number of Indian Agro and processed food products.

India produces almost 50 million tonnes of fruits and vegetables annually, which is one of the highest production levels in the world. Because of varied agro-climatic conditions, India is able to produce a wide range of fruits and vegetables of tropical, sub-tropical and temperate varieties. As regards vegetables, India is the second largest producer, next only to China. India is the third largest producer of fruits, after Brazil and the United States.

Despite these strengths, however, certain weaknesses have continued to plague the sector with the result that India has not been able to achieve its true potential in the global trading arena. Some of these weaknesses include high wastage levels leading to low processing levels, high seasonality and perishability leading to low profit margins, lack of post-harvest infrastructure, inadequate capital flow to the sector, multiple and complex tax structure, multiplicity of food laws, lack of requisite packaging quality and presentability required for global markets, and lack of ready acceptance in international markets.

In India, less than 2% of total horticulture produce is processed implying high wastage levels. According to some estimates, roughly 30% of fruits and vegetables produce gets wasted due to inadequate knowledge about pre-harvest and post-harvest management practices. The existence of a large number of intermediaries in the food chain also has a severe impact on the farm level realisation. In India, farm level realisation is in the range of 20-30% of the retail price as against a range of 40-50% in developed economies like the US. Compared to international standards, farm yields in India are also significantly lower due to insufficient knowledge about pre-harvest management practices, and inadequate interface between the farmers and the research institutions. Lack of adequate storage and transportation affects quality, and inconsistent quality due to negligence in processing, hygiene, packaging, transportation, etc. has an impact on the safety standards of traded products in the global markets.

With a view to providing a boost to the sector as also exports from the sector, the Study has delineated a number of recommendations which include promotion of contract farming, training on pre-harvest and post-harvest management practices, provision of required physical and marketing infrastructure such as cold-chain facilities, cargo facilities at airports/ports, and access to institutional finance for requirements of term loans and working capital.

The Study also highlights the need to adhere to quality standards like ISO 9000 and HACCP to boost exports, rationalising the tax structure and the Food Laws so as to encourage innovation, and analysing the success achieved by other countries like Thailand, Israel, Chile and Brazil to hone our export marketing strategy. Further, removal of product-specific and sector specific constraints, the Study points out, would confer the much needed competitive ability to exports of Indian processed foods sector.

Role of IFC in Agri-Finance

Established in 1956, the International Finance Corporation (IFC) is one of the member organisations that comprise the World Bank Group. The primary role of IFC is to promote sustainable private sector participation and investment in developing countries, and to reduce poverty and improve peoples' lives.

IFC provides financial support to a range of sectors including the agriculture sector. IFC's objective is to support the development of efficient agri-business systems from producers to consumers.

IFC's support to the agri-sector includes projects involving primary agricultural production, aquaculture, fishing, food processing, as well as marketing and distribution. In supporting the agri-business in developing countries, IFC deals with a wide spectrum of activities, from subsistence systems to sophisticated integrated systems. As a general rule, IFC gives preference to investment projects that have the largest demonstrated benefits to the overall efficiency and competitiveness of the supply chain, and the highest overall contribution to economic development.

Associating with IFC can be advantageous for investors seeking financing or other support in agri-business. Some of these advantages are highlighted below:

- IFC benefits from the considerable country and sector experience of the other members of the World Bank Group, viz. the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID);
- IFC's extensive operations in developing countries gives it an understanding of the economic priorities and constraints in these countries; and
- IFC's experience in co-financing or supporting ventures with international operators and lending institutions enables it to work as a catalyst, not only in mobilising funds, but also in bringing together the development, operating and marketing expertise and other skills which are essential for the success of agri-business projects.

In its endeavour to support the development of sustainable and efficient agri-business, IFC has funded a number of agri-projects in diverse areas in many developing countries. In the last two years, 2000 and 2001, IFC has approved funding of projects in several developing countries including Morocco, Federal Republic of Yugoslavia, Kenya, Mexico, Madagascar, Vietnam, Belize, Bulgaria, Turkey, Honduras, Kazakhstan and Venezuela. These projects are in diverse areas such as

- Weather insurance for agricultural products – Morocco;
- Fruit packaging – Yugoslavia;
- Construction of greenhouses – Kenya;
- Construction of packing and central control facility, and greenhouses – Mexico;
- Shrimp farming – Madagascar and Venezuela;
- Flour milling – Vietnam;
- Integrated fruit juice and carbonated drinks – Bulgaria;
- Marine products – Turkey;
- Oil palm plantations – Honduras;
- Aquaculture – Belize; and
- Grain sector – Kazakhstan.

In the aquaculture sector, IFC mainly targets projects, which are large and extensive with high economies of scale, particularly in the higher end of the market which demands a high degree of product standardisation, quality packaging materials, and streamlined sanitation procedures. In the cereal and cereal processing sector, IFC's involvement encompasses all aspects of production, harvesting, post harvest drying and cleaning, transportation, and primary and further processing. In the dairy sector, focus is on projects with established markets and consumption patterns with strong emphasis on consolidation and restructuring. In the fruits and vegetables sector, focus projects encompass both export oriented projects and domestic market-oriented projects.

For the livestock and broiler sector, factors, which influence IFC's funding include demand-supply issues, comparative advantage of the project, availability of resources. For oilseeds and edible oils, IFC focuses on projects, which meet certain criteria including availability of seeds, domestic and regional demand for oils and oilmeals, economies of scale, scope for vertical integration, supportive infrastructure and extent of strategic alliances. IFC's strategic focus in the processed foods sector is on projects, which take advantage of locally sourced raw materials and provide an appropriate level of value addition to the market requirements of a specific country or target export market. In rubber, IFC looks for the critical components of international competitiveness, regional comparative advantage, enabling infrastructure and stable operating environment. For sugar, experience of the sponsors, economies of scale, scope for expansion/rehabilitation, access to efficient processing technologies and proximity to distribution channels are some of the parameters, which are used for assessing projects.

IFC, thus, recognising the vital role of agri-sector in economic development seeks to adopt a flexible but focussed approach in supporting this sector.

Exim Bank International Economic Research Annual Award 2001

Dr. Sajjid Chinoy is the winner of Exim Bank International Economic Research Annual (IERA) Award, 2001 for his doctoral dissertation entitled "*Currency Risk Premia and Unhedged, Foreign-Currency Borrowing in Emerging Markets*". Dr. Chinoy obtained his doctorate in 2001 from Stanford University under the guidance of Prof. Anne O. Krueger and Prof. Ronald McKinnon.

Established in 1989, the IERA Award is given for doctoral dissertations in the area of International Economics, trade and related financing. 2001 is the thirteenth year of the Award. The Award carries a prize of Rupees One Lakh and a Citation. The Award aims to stimulate research in the areas of International Economics, trade and related financing.

The Award was announced at a function held at Mumbai. The Award and Citation were handed over to the winner, Dr. Sajjid Chinoy, by the Chief Guest, Dr. Shankar Acharya, Honorary Professor, Indian Council for Research on International Economic Relations (ICRIER), New Delhi, (Chief Economic Adviser, Ministry of Finance).

Exim Bank's Occasional Paper titled "*Currency Risk Premia and Unhedged, Foreign-Currency Borrowing in Emerging Markets*", which is based on the Award winning doctoral dissertation, was also released by Dr. Shankar Acharya at the Award function.

In his dissertation, Dr. Chinoy documents the inability of the new sticky-price general equilibrium models to adequately explain the presence of currency risk premia in many emerging markets, and the desire of firms in these environments to expose themselves to currency-risk, by undertaking unhedged, foreign-currency liabilities. Important new data for Indonesia and Thailand, which allows one to separate "country risk premia" from "currency risk premia", have also been presented.

Indo-Latin American Pharma Meet

Confederation of Indian Industry had organised a Workshop cum Buyer-Seller Meet on the Drugs and Pharmaceutical Sector at Mumbai and at Hyderabad. The Workshops were attended by 25 representatives from the pharmaceutical sectors of Brazil, Chile, Colombia, Mexico, Netherlands Antilles and Venezuela, and over 100 representatives from the Indian pharmaceutical sector.

Exim Bank made a presentation at the Workshop on the potential for trade and investment from India in Latin America, with particular focus on Exim Bank's Lines of Credit, which have been extended to banks in Latin America. Presentations were also made by experts on the Latin American region, as also representatives from Brazil, Chile, Colombia, Mexico and Venezuela. The presentations provided an insight into the respective local markets and trade regulations of individual countries. One-to-one interactions were also held between Indian exporters and Latin American buyers.

The pattern of trade with Latin America establishes that India has emerged as a reputed supplier of bulk drugs, drug intermediates and generics, including generic formulations. Finished formulations from India have been registered in some countries in Latin America. There is a growing realization in the Latin American markets that Indian pharmaceuticals are good in quality, reliable and price competitive.

The Workshop cum Buyer-Seller Meet, by bringing together senior representatives from major players on both sides, provided an opportunity for Indian pharmaceutical companies to have first hand information about the potential of their products in different countries of Latin America.

Exim Bank's Line of Credit of US$ 10 mn to Bancóldex, Colombia

Exim Bank extended a Line of Credit (LOC) of US$ 10 mn to Banco de Comercio Exterior de Colombia SA (Bancóldex), Colombia, for onlending to Colombian importers for import of goods and services from India. Mr. T. C. Venkat Subramanian, Managing Director & Chief Executive Officer of Exim Bank, and Dr. (Ms.) Marta Lucía Ramírez de Rincón, Minister of Foreign Trade, Government of Colombia, signed an agreement to this effect in Bogotá on February 5, 2002, in the presence of India's Minister of State for External Affairs, Mr. Omar Abdullah. An India-Colombia Joint Business Forum was launched on the occasion.

Bancóldex is among the largest financial institutions in Colombia by asset size and equity. Founded in 1992, Bancóldex is 99.7% state-owned export finance institution and has played a central role in promoting Colombia's growing export sector by financing non-traditional exports and export-related activities.

India's exports to Colombia amounted to US$ 64.90 mn during 2000 an increase of 28% over 1999. Potential areas that Indian exporters can focus on are engineering goods, transport equipment, consumer durables, chemicals and pharmaceuticals. Bilateral trade shows encouraging trends. RITES Limited is providing technical consultancy services to FENOCO, Colombia, for a Railway Rehabilitation Project. Bajaj Auto has located an assembly plant in Colombia. Other Indian Companies active in Columbia include Praj Industries, NIIT and Aptech.

Exim Bank's LOC supplements the Government of India's special initiative, '*Focus LAC*' to boost trade between India and Latin America. Exim Bank's LOCs are also available for financing exports to other countries in the region including Mexico, Brazil, Venezuela, Ecuador, Peru and Bolivia.

EXIMIUS CENTRE COLUMN

In the first quarter of 2002 the Centre organised the following programmes:

The first programme was a seminar on *'Business Opportunities in South Africa'* organised at Bangalore. The objectives of this seminar were to create awareness about the potential of South African market and the opportunities that exist for enhancing trade and investment with SADC region through South Africa. The seminar was addressed by Mr. Iqbal Meer Sharma, Director, Department of Trade & Industry, Government of South Africa; Mr. Alistair Schorn, Consul (Economic Affairs), Consulate of South Africa, and Mr. Sushant Mehta, Advisor, Business Development, Consulate of South Africa.

The second programme was a seminar on *'IT Enabled Servcies: Opportunities in Australia'*, organised in association with Indo-Australian Chamber of Commerce, in Chennai. The principal objective of this seminar was to create awareness about the business opportunities that exist in Australia for Indian firms engaged in offering solutions in IT enabled services sector.

The third programme on the same subject was held at Bangalore. The seminar was addressed by Mr. R. Rangarajan, Servio Global Ltd, Chennai, Mr. Umesh Bhaveja, Austrade, Bangalore; Mr. O R S Rao, CEO, Ideaspace Solutions, Hyderabad; Mr. S. Sundararajan, Managing Director, ANZ Information Technology, Bangalore; Prof. Sadagopan, Director, Indian Institute of Information Technology, Bangalore (IIIT-B), and Mr. Aashu Calappa, GM (HR), Customer Asset Pvt. Ltd, Bangalore.

The fourth programme was a seminar on *'Exports: Growth Opportunities for SSI sector'* organised by the Centre in association with Confederation of Indian Industry (Karnataka). The seminar was organised at Bangalore and was addressed by Mr. C P Rangachar, Chairman, CII National Committee for SSIs; Mr. Raju Swamy, Convenor, SSI Panel, CII, Karnataka; Ms. A D'Souza, General Manager, Indo-German Chamber of Commerce, Bangalore; Mr. Navin Paul, DGM-Exports, MICO, Bangalore; Mr. Sashikiran Mullur, Managing Director, Hical Magnetics (P) Ltd, Bangalore; Dr. Babu Padmanabhan, Managing Director, Steer Engineering (P) Ltd, Bangalore; Mr. Satish Mahajan, Managing Director, Garments International (P) Ltd, Bangalore; Mr. Sandeep Maini, Director, Reva Cars India (P) Ltd, Bangalore, and Mr. Aroon Raman, Managing Director, Raman Boards, Bangalore.

The Calendar of forthcoming programmes for the next quarter include:

- International Food Safety, implications of HACCP and CODEX standards;
- Seminar on 'Doing Business with Russia';
- US-FDA regulations for Pharmaceutical Industry;
- Seminar on 'Co-operation Opportunities in Israel';
- Workshop on 'Strategic Alliances and IT Procurement in Europe'; and
- Flanders: Belgium – Gateway for doing Business with Europe.

The Centre welcomes suggestions on its future agenda.

For details on future programmes at Eximius Centre, contact: Ms. R. Roopa in Bangalore on Tel: (080) 5589106, Fax: 5550893 E-mail: eximius@giasbg01.vsnl.net.in

BOOK REVIEW

The Power of Simplicity – by Jack Trout (Tata McGraw-Hill)

Jack Trout's book, dedicated to "the overwhelmed and the confused who sense there's a simpler way," takes up the cudgels for simplicity in an environment where managers and entrepreneurs are increasingly having to deal with mind-numbing complexity on every front.

Written with acerbic humour, the book takes a hard look at the fundamentals of business through the powerful lens of common sense, and in the process, melts away the complications that have come to obscure the basics. Jack Trout's basic premise is that people resist simplicity because they fear it, especially when they are surrounded by peers who rely on complexity to mask their ignorance and hedge their bets. He holds management gurus (referred to as 'buzzword gurus') and consultants as primarily responsible for making people so insecure that they begin to seek refuge in complexity.

The book considers, in turn, the basics of simplicity, management issues, leadership issues and people issues. Under management issues, Trout looks at business strategy, competition, customer orientation, budgeting and pricing, and presents guidelines for approaching these issues in straightforward terms, unhampered by the mystifying fog of jargon or the arcane obscurity of fancy processes. Under leadership issues, he trashes the corporate penchant for mission-statements, long-term planning and obsessive goal-setting as sheer waste of expensive management time, and calls for a simple focus on the core business idea, and how best to "run with it." Under people issues, he asserts that putting employees through motivational sessions and self-improvement courses is no substitute for skill-building and the challenge of bringing to life a "competitive idea."

All in all, this book is an engaging crash-course in common sense for business executives.

Afghanistan

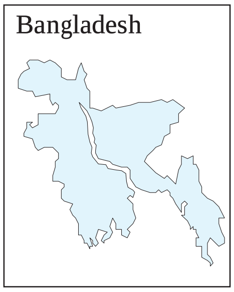
The ravages of war has not only devastated Afghanistan's infrastructure, but it has also prevented new investment that would have raised services above pre-war levels. Afghanistan now needs urgent attention in several key areas that are fundamental to the economy: transportation, power generation, telecommunication, light manufacturing, irrigation and rehabilitation of the land that is available for agriculture. Afghanistan's education system is also in a state of virtual collapse. The gross enrolment ratio in primary education is 38% for boys and 3% for girls. Improving the health status of Afghans is a pressing priority. The daunting task of rebuilding Afghanistan could take an investment of up to US$ 45 bn over the next 25 years. The outcome of the Ministerial Conference on Reconstruction for Afghanistan held in Tokyo was highly successful and donor pledges for the first year amounted to over US$ 1.8 bn.

Iran

The structure of the Iranian Economy continues to be determined by its reliance on oil, as it has been for most of the past 40 years. A crude oil producer since the first decade of the century, Iran has passed through periods of boom and bust as oil prices have risen and fallen on the volatile international markets. From a high of 6.1% in 2000, the economic growth is estimated to have fallen to 4.5% in 2001. This would be attributable to the OPEC production constraints, which has lead to a fall in output of oil as the Iranian production exceeds the quota levels. This has also lead to a marked reduction in the export volumes in the quarter March-June 2001 as export profile still remains dominated by the oil sector, which generates more than 80% of the revenue.

Bangladesh

According to the Bangladesh Bureau of Statistics, the real GDP grew by 6% year on year in 2000-01. Agriculture grew by 55%, slowing down from 7.4% in 1999-2000 despite the bumper harvests. But the manufacturing sector accelerated sharply, recording 9.1% growth after 4.2% in 1999-2000. With a weak global economic situation, manufacturing is expected to slow down. The post-election political situation, along with the declining foreign investment, will impede the economic growth. The real annual GDP growth is thus expected to fall to 4.6% in 2001-02. The new government has sought financial assistance from the World Bank and the IMF to cope with the difficult economic conditions. The Asian Development Bank has already granted a loan of US$199 mn for the West Zone Power System development Project, which aims to extend electricity coverage to 500,000 new subscribers in the western region.



Mexico

A sharp drop in exports and a related decline in manufacturing output will cause GDP to shrink by 0.9% in 2001 compared to the growth rate of 6.9% in 2000. Growth is expected to resume in 2002 due to the improving export prospects in the second half of the year. The uneven pattern of growth means that on average the economy will expand by just 1.3% in 2002. In 2001, peso was one of the strongest currencies in the world appreciating by nearly 30% in real terms against the US dollar, which in turn has lead to the consistent fall of the inflation rate from 20.6% in 1997 to 6.5% in 2001. Total trade has also come down due to the US economic slowdown. Lower demand for Mexican exports, around 90% of which are sold to the US, has also lowered Mexican import demand because many products sold abroad depend on imported inputs.

Slovenia

Real GDP growth slowed to 2.9% year on year in the first half of 2001, owing to a sharp contraction in gross fixed investment and thus the overall GDP growth is expected to be at 3.4% on the whole in 2001. Because of the weakening of the import demand from EU member states, which account for around 64% of total export receipts, and particularly Germany, the country's largest single market, Slovenia's export volume decreased sharply in the second quarter of 2001, falling to 6.5% year on year, down from 12.5% in the first quarter of the year. However employment growth has speeded up and wage growth has slowed. Employment has been growing in all sectors of the economy, with the exception of mining and construction, even though output trends have pointed to slackening growth in several important industries.

Select Currencies

AFGHANISTAN

The official currency of Afghanistan is the Afghani. Afghanistan is traditionally a subsistence economy. The economy of Afghanistan, one of the world's poorest and least-developed countries, has never been documented. Following the Soviet invasion, multilateral lending and debt servicing had been suspended; the official exchange rate counts for little and the Afghani has been on a downward spiral. However in the post-September 2001 attacks, the currency actually rallied due to rising prices and the withdrawal of western aid agencies, which led to an increasing demand for cash. But in January 2002 the local currency markets were plunged into chaos, amid reports that the Afghani could be abandoned temporarily and replaced by the US Dollar. The IMF too has extended support to the government's plan to adopt the US Dollar as its legal tender until it introduces a new currency. In Mazar-e-Sharif, the commercial hub of Northern Afghanistan, business is done in two currencies, the so-called Rabbani "government" money and "Jumbishi" money, named after Mr. Dostum's National Islamic Movement. Under the Taliban, the government kept little or no economic statistics, and did not bother with accounting. In September 1996, when the Taliban took Kabul, the exchange rate was about 16,000 Afghanis to the US Dollar. By the time the regime collapsed in the US led war, the currency's value had collapsed to 80,000 Afghanis. The exchange rate does not follow any logic; during the Taliban rule the dollar commanded three times the value it does today. The post-September 11 war caused it to rise even higher but after the liberation of Mazar-e-Sharif in November 2001, the Afghani has strengthened to around 36,000 per US Dollar on Jan 31, 2002 – a possible sign that Afghans are optimistic that their country is on the path to a durable peace.

SOUTH AFRICA

The South African Rand (ZAR) has been weakening against the US Dollar since 1995. It has depreciated from 3.60 in 1995 to 7.74 in February 2001 and 13.85 in December 2001 per US Dollar. Prior to 1995, a dual exchange rate system, consisting of a Commercial Rand rate and a Financial Rand rate, was prevalent in the country. The exchange rate of the Commercial Rand was determined in a managed floating system, applicable to all current account transactions, while the financial Rand rate applied to all capital inflows/outflows into/from the country. Beginning March 1995, the Government repealed all exchange control restrictions and allowed free convertibility of the Rand, thereby bringing about a unified exchange rate that applies to both current and capital transactions between residents and non-residents. The South African economy has undergone profound structural changes since the country's first democratic elections in 1994. The ZAR had fallen by about 37% in the year 2001 as investors fretted over the possibility that land grabs could be repeated in South Africa as it happened in neighbouring country Zimbabwe. The crisis in Zimbabwe had threatened to destabilise the region and had a negative impact on ZAR. The Rand's depreciation had resulted in higher inflation. To arrest the inflationary trend, the Reserve Bank of South Africa had raised its key lending rate by 100 bps to 10.50% in January 2002 and by another 100 bps to 11.50% on 14th March 2002. Deteriorating inflation data is set to add to chances of further interest rate hikes this year. As on March 29, 2002, Rand was quoted at 11.31 per US Dollar and is expected to be range bound between 11.50 and 13 in the short term.

VENEZUELA

The Government of Venezuela has adopted floating exchange rate system from February 20, 2002 by allowing Venezuelan Bolivar (VEB) to float freely against US Dollar. A system of multiple exchange rate system was followed before 1984 which was replaced by a system of unified managed float in 1994 wherein the exchange rate was fixed at 170 VEB per USD. In 1996, a crawling peg exchange rate system with bands was introduced and the Bolivar was permitted to move 7.5% on either side of the central parity. This was adopted in order to keep the real value of Bolivar constant against the US Dollar by moving the exchange rate in line with the inflation differentials between Venezuela and US economies. During the year 2001, VEB ranged between from 700 to 753 per US Dollar. The weakening economic fundamentals and declining oil prices raised pressure on the Bolivar and therefore the Government decided to adopt a floating exchange rate against the dollar with effect from February 20, 2002. This reflects low investor confidence towards Latin America after Argentina's financial crisis. Also, the slumping global economy after the September 11 attacks in the United States had a negative impact on the Venezuelan economy. The depreciation is expected to boost export competitiveness. The Bolivar plunged to historic low of 1085.5 VEB to 1US Dollar on February 25, 2002. Regional imbalances, a volatile political situation in the country and declining oil prices are likely to put further downward pressure on the currency. On March 29, 2002, the Bolivar stood at 920 per US Dollar and it is expected to depreciate further.

India's Medium Term Export Strategy: 2002-07

The statement " Export is an engine for growth" is increasingly becoming a reality for India. India posted a growth rate of 21% in exports in 2000-2001, the highest in the last decade, to achieve an export volume of US $ 44.56 bn and Indian exports as a percentage of GDP has increased from 5.7% in 1990-91 to around 10% in 2000-2001. However, the share of India's exports in world trade was only 0.67% in 2000-2001. The Medium Term Export Strategy aims at increasing India's share in world exports from the existing level to 1% in the next five years, implying a compound growth rate of 11.9% (in dollar terms) over the Tenth Five Year Plan, 2002-07. In absolute terms, this translates into a rise in exports from US$ 44.56 bn in 2000-2001 to a targeted level of US$ 80.48 billion in 2006-07. The medium term product group wise projections proposed in the Strategy are as follows:

Product Group wise Export Projections

Commodities	Actual exports in 2000-01 ($ million)	Projected exports in 2006-07 ($ million)	CAGR for 2002-07
1. Plantations	692	780	2.00
2. Agriculture and allied	3869	5182	5.00
3. Marine products	1394	1913	5.41
4. Ores & Minerals	1159	1552	5.00
5. Leather & Manufactures	1951	2614	4.99
6. Gems & Jewellery	7384	14328	11.67
7. Sports Goods	68	78	2.00
8. Chemical & allied products	6265	11443	10.80
9. Engineering goods	5835	9564	8.96
10. Electronic goods	1141	1676	6.96
11. Project goods	27	36	5.00
12. Textiles	12060	18311	7.23
13. Petroleum products	1893	13344	39.39

The strategy arrives at *focus products* and *focus markets* after examining both the import baskets of our major trading partners (USA, Japan and European Union) and India's export basket. The existing country-commodity matrix (15 country by 15 commodity) has been expanded to include 25 countries and 220 export commodities (covering seven sectors – engineering/ electronics/ electrical, textiles, gems & jewellery, chemicals and allied, agriculture and allied, leather and footwear and other items) for special focus. The export strategy attempts to provide direction by focussing not only on products in which we have a revealed comparative advantage but by also identifying products, which have real comparative advantage, based on the potentialities. The identification of *focus items* is based on promoting items with high potential in world demand besides existing high export items, and selection of *focus markets* is based on a mix of large existing and emerging markets to balance growth and risk.

Exchange rate stability, tariff protection to sensitive items, World Trade Organisation (WTO) compatible non-actionable subsidies, export-oriented Foreign Direct Investment (FDI) policy, lowering transaction costs, strategic free trade agreements, flexible labour policy, WTO-compatible export credit strategy, developing small-scale industry (SSI) export, enhancing role of states in export production, continuation of Special Economic Zones (SEZs), flexibility in labour policy and expansion of the market assistance programme are the broad policy directions in the medium-term export strategy.

Specific export promotion strategies in sectors like engineering/electronics/ electrical, automobile, electronics hardware, agriculture, gems & jewellery, chemicals and leather have also been outlined.

The export strategy attempts at mapping out the new potentials that need to be tapped and seeks to provide a road map for the export sector in the medium term. By way of institutional set up, setting up of a Core Group/Action Committee, within the Department of Commerce, has been recommended to monitor implementation of the strategy and for suitable data dissemination.

Note: Indian Rupees are referred in crore and lakhs:

1 crore : 10 million
1 lakh : 100 thousand

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.
Tel: 218 5272 Fax: 218 2572
E-Mail: eximcord@vsnl.com

Contact Numbers: Ahmedabad: 657 6852, Bangalore: 558 5755, Chennai: 522 4714, Hyderabad : 330 7816, Kolkata: 229 3416, Mumbai: 283 0761, New Delhi: 332 6375, Pune: 645 8599
Budapest: (361) 338 2833, Johannesburg: (2711) 442 8010, Milan: (3902) 584 3056, Singapore: (65) 653 26464, Washington D.C.: (202) 223-3238,