Report Week # 98

BUSINESS AND POLITICS IN THE MUSLIM WORLD

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GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE

Investors wait for Nakheel next installment

Monday, 14 December 2009

When Nakheel began approaching investors in late 2006 about the possibility of selling Islamic bonds to finance its vast reclamation projects in the Gulf, their response could be summed up in just three words: “Sell us more.” Those same investors are perhaps wishing they had kept their mouths shut as they ponder whether Nakheel will repay the bonds when they mature today and, if it does not, how long it will take the company to repay and how much of a discount it may try to negotiate

The possible delays are part of a proposed six-month standstill on repayments at Nakheel, its parent Dubai World and another of the conglomerate’s property units, Limitless, as the group tries to whittle down at least US$26 billion (Dh95.49bn) in estimated debt.

The prospect of a default at Nakheel upset international markets amid concern that Dubai’s efforts to manage an estimated $85bn in debt will end up costing creditors.

The apparent decision by Dubai not to pay Nakheel debt has also sparked a reappraisal of emerging-market borrowers that investors believed could count on government support.

Nakheel, which means “the palms”, was established in 2003 under Sultan bin Sulayem, the Dubai World chairman, to manage the company’s expansion from operating Dubai’s ports into building three palm-shaped property developments: Palm Jumeirah, Palm Deira and Palm Jebel Ali. It then turned to creating The World, an offshore development in the shape of a world map.

By early 2005, Nakheel had unveiled plans for its most ambitious development yet, Dubai Waterfront. The 12,437-hectare strip of coastal desert would be transformed into a new metropolis twice the size of Hong Kong, it said, becoming home to 1.5 million people. As its centerpiece, Nakheel planned to erect a 1km-high skyscraper, Al Burj.

Nakheel original plan was to raise $2.5bn. It was already a big sum for a company that had been financing its projects one by one; a watershed for an ambitious company that was redrawing Dubai's map with developments visible from space. Rather than being linked to a single project, the Sukuk would be sold on Nakheel own financial strength.

Islamic investments were in demand and investors lined up for a piece of Nakheel offering. By the time the bond's underwriters at Barclays and the Dubai Islamic Bank had tallied the orders, investors had offered to lend Nakheel as much as $6bn.

Nakheel settled for $3.52bn, turning its Sukuk into what was then the World largest, just surpassing the $3.5bn raised by DP World that year to finance its controversial purchase of Britain's P&O. Nakheel bond sale capped a year in which Dubai Islamic Bank was able to sell $9bn in Islamic bonds. But no one seemed to foresee that the boom in property Nakheel relied on would not last.

"This town is a vast and vital construction site where prices for well-planned developments will increase for the foreseeable future," said James Wilson, then the Nakheel chief executive, in late 2005.

Property in Dubai seemed unstoppable. "People think it is a dream but people are wrong,'' Khaled al Huraimel, then the general manager of Dubai Waterfront, told the International Herald Tribune in 2006. "What we start here, we finish."

After falling as much as 30 per cent from their peaks last year, residential property prices in Dubai remain down by about 14 per cent from those highs, data from the Dubai Land Department compiled by reidin.com shows.

Nakheel has been forced to put Dubai Waterfront into mothballs. It laid off 15 per cent of its staff in December last year and has continued to shed workers as part of the 12,000 job cuts being made at Dubai World.

Investors were also attracted by the returns Nakheel bond offered. At a time when low US and Japanese interest rates were prompting investors to shift funds to the most distant corners of the world in search of higher returns, Nakheel bond offered a yield of 6.345 per cent on maturity.

Nakheel was by then as well known for its bold financing moves as for its ambitious property plans. It had clinched a $350 million, 10-year Islamic loan in 2004 that was reported at the time to be the largest in the Middle East.

The next year it sold $350m in bonds backed by the sale of the residences it was building on Palm Jumeirah, the first such securitization in the region.

The man credited with putting together that deal, Marwan Abedin, is now the executive director the Dubai Financial Support Fund, which last month appointed an accountant from Deloitte to take over Dubai World's restructuring and request the six-month standstill.

Along with its yield, Nakheel bond offered steady capital appreciation in its first year, climbing about 5 per cent. But it dropped in September last year after the collapse of Lehman Brothers touched off the global financial crisis.

When the Investment Corporation of Dubai was forced to dip into its own cash last February to help Bourse Dubai repay $3.4bn in loans, it plunged even further, to 63.5 cents on the dollar.

The first murmurings that Nakheel bondholders might be in for a shock came in April, when the ratings agency Standard & Poor's said it had been informed that Nakheel was examining all available options in handling its outstanding debts.

S&P interpreted the statement as casting doubt on Dubai's willingness to support other companies in its stable, prompting it to place its ratings on several Dubai Government-owned companies on review for a possible downgrade.

After the Dubai World announcement, S&P and the two other leading ratings agencies, Fitch Ratings and Moody's Investors Service, have cut their ratings for Dubai's big borrowers to below investment grade.

If Nakheel fails to redeem its bonds in full today, it will have a 14-day grace period in which it can still pay them off. If it does not, it would be in default of its agreement unless it reaches a compromise with bondholders. Analysts and advisers to Dubai World say Nakheel could offer to pay part of the debt on time and part later on new lending terms.

According to the terms of the Islamic bond, Nakheel needs to convene the holders of at least half of the bond's value to vote on any new arrangement, which would have to be approved by at least 75 per cent of this group, representing 37.5 per cent of the debt owed, or $1.32bn of the bonds' face value.

What remains unclear is how many of the bondholders support the standstill and how many oppose it. One New York-based group of creditors headed by a US hedge fund claims to represent enough of the bondholders to block any new deal and has threatened to pursue legal remedy.

Nakheel bond was guaranteed by Dubai World. To comply with the requirements of Islamic finance that every loan be connected to the purchase of some real asset, Nakheel's $3.52bn Sukuk was backed by the Dubai Waterfront property. Investors would lend the money to three special-purpose vehicles that would buy the land from Nakheel. The company would use the money to finance its operations and then, using its earnings, would pay back the bond and buy back the land under Dubai Waterfront.

It is not clear, however, whether the three investment vehicles, Nakheel Development 1, 2, and 3, still have title over Dubai Waterfront.

The National

UK University to launch Degree in Islamic Banking after demand for 'ethical' lending surges

Tuesday, 15 December 2009

The Banking World has already grown, used to accommodating the needs of Muslim savers, and now there is a university degree to match. Salford University in Greater Manchester is launching a degree course in Islamic Banking next year in which students will learn how to invest and lend according to the religion's strict financial principles.

The postgraduate course is being introduced after a surge in demand from high street banks offering Islamic services to Muslim families.

Under Islamic rules, charging and paying interest is viewed as immoral and investments must be made according to strict ethical principles.

Islamic banks have opened in a number of British cities and major banks, including HSBC and Lloyds TSB, already offer Islamic products and services. Although they cannot pay interest, Islamic banks must still offer competitive returns to customers and turn a profit.

Banks make money for investors by taking fees for matching investors and borrowers, buying into businesses, or buying and leasing assets to potential borrowers.

The MSc course - one of the first of its kind - will initially be open to 20 students next year. Lecturer Hussein Abdou said: 'It's predicted demand for Islamic services will treble in the next few years. The course is not just for Muslim students. It is open to all people who want to have a unique position in the jobs market.'

Daily Mail

http://www.dailymail.co.uk/news/article-1235730/University-launch-degree-Islamic-banking-demand-ethical-lending-surges.html

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Islamic Banking and Finance in the United Kingdom — The Recipe for Success

Tuesday, 15 December 2009

The Islamic finance sector in the United Kingdom has seen enormous growth both domestically and internationally. London is one of the top five financial centers in the world for Islamic finance and is the premier center outside the Muslim world. What are the key factors that have lead to this success?

An essential ingredient is a regulatory framework that can accommodate Islamic finance principles and a regulator that is prepared to work with Islamic institutions to overcome technical hurdles. The Bank of England has had a close interest in the Islamic banking sector since the early 1990s. The Financial Services Authority, created in 1998, articulated the policy of "no obstacles, no special favors," its approach being one of establishing a level playing field within the overall framework of its risk-based approach to regulation.

There must be a tax regime that enables Islamic financing structures and products to be treated in an equivalent manner to their conventional counterparts. The U.K. tax authorities' aim has been to ensure that Shariah-compliant financial products are taxed in a way that is neither more nor less advantageous than equivalent banking products in the conventional sector. A package of measures has evolved and been introduced over a period of six years which, in broad terms, works by setting out particular fact patterns that describe generically equivalent Islamic financing structures and products, but without naming them, and applying specific tax treatment to putting them on a level playing field with the nearest equivalent conventional financing structure. The specific tax treatment is not restricted to Muslim customers or Shariah-compliant products. Indeed, the legislation is silent on this, as to avoid discrimination issues.

A legal system that is recognizable on an international basis for cross-border transactions and that is widely enforceable is essential to the mix. English law has long been accepted in the international finance markets and has lent itself well to Islamic financial transactions.

The courts must adopt a pragmatic approach to Islamic products. The U.K. courts have taken the approach (based on specific facts) that a general reference to the principles of the Shariah of the type often seen in documentation should be regarded as being merely a reference to the parties' desire to state the principle of compliance with the Shariah. The market has generally embraced this Sentiment.

Another essential element is the existence of a body of legal, accounting and banking professionals who are well-versed in cross-border financing transactions and are prepared to invest time in developing the knowledge and skill sets to put deals together and implement them. As one of the world's largest financial centers, London can easily fulfill this need.

Conventional banks must also be willing to participate by opening Islamic "windows" within their organizations. We have seen a large number of U.K. banks and foreign banks in the U.K. adopt this approach to very great effect.

Trade organizations with links to the Muslim world that are active in promoting the interests of their members are helpful in stimulating the debate and helping to pull together the interested parties.

Finally, there must be a clear willingness of the government to promote Islamic finance. In the U.K., we have been fortunate that the government has fully supported the industry. Only about 3 percent of the U.K. population is Muslim, but it is the second largest religious group in the U.K., and the government has listened to the needs and concerns of the Muslim population and reacted by implementing the necessary changes. It has also enabled and encouraged the banking industry to harness the U.K. legal, accounting and banking expertise to develop the industry to its pre-eminent position today.

Moscow Times

The Benefits of Islamic Finance Instruments for Russian Businesses

Tuesday, 15 December 2009

Islamic finance is gaining more business interest worldwide as well as in Russia. Why has this way of doing business gained so much popularity over the recent years? The reason is that a significant number of Islamic investors have recognized that there is an opportunity of doing business in accordance with their religious standards and have encouraged the financial institutions that handle their funds to offer Shariah-compliant solutions. As Shariah is not a written law, but rather a flexible guidance based on a number of principles, creating such solutions was not that difficult

What benefits can Islamic finance bring to Russian businesses? One of the most obvious benefits is to attract investment into Russia. There are a few Islamic finance instruments that are particularly useful for this purpose. These are financing of trading operations (Murabaha), partnership (Musharaka) and leasing (Ijarah). The latter could be done in the form of securitized leasing (Sukuk-al-Ijarah).

Despite a widespread misconception, Islamic finance does not require specific laws and is not limited to the Muslim community. Except for several predictable prohibitions (trade in arms, alcohol, pornography, gambling etc), Islamic finance solutions could basically be used anywhere by anyone.

In fact, many conventional transactions may qualify as Shariah-compliant. Such examples include lease contracts, equity contributions into a joint venture and deferred payment sales.

Let us now take a closer look at the types of contracts briefly discussed above from the perspective of the existing Russian tax and legal environment.

In a Murabaha contract a financial intermediary buys particular goods at spot price and sells them to a customer at a higher price on credit. There is nothing in Russian law preventing such transactions. The only limitation is the prohibition of trading activities for banks, which itself is subject to many limitations, e.g. permission to trade in securities and precious metals. In addition, the law No. 281 of Dec. 25, 2009, lifts the limitation further and permits banks to enter into forward or option contracts wherein the object of the contract is the delivery of goods, although that is on the condition that such contracts would not involve the physical delivery of such goods.

It appears that this amendment extends the involvement of banks in trade contracts and may support interpretations allowing Russian banks to be involved in Murabaha transactions.

From the tax perspective, the difference from conventional loans is that in order to buy an item worth 100,000 rubles (VAT inclusive), a customer would take a loan of 100,000. Provided that interest rate is 10% annually, he would pay 10,000 rubles interest which is VAT free. In Murabaha transactions the markup to the original price repreSenting premium for deferred payment would be subject to VAT, i.e. the total price for the customer would be 111,800 rubles in a Murabaha transaction compared to 110,000 rubles in the case of a conventional loan.

Therefore, somewhat disadvantageous treatment of Murabaha is limited to specific cases of sale of goods on credit to retail consumer and might be remedied by clarification from the Ministry of Finance. This relative disadvantage is not based on the fact that the Murabaha is Islamic finance transaction, but on the fact that sale on credit is treated differently from sale with the use of loan facility.

Ijarah or lease contract would not involve any particular difficulties in structuring in both domestic and cross-border scenarios. In the case of lease payments to a nonresident without a permanent establishment in Russia, payment may be subject to withholding tax at the rate of 20%. However, under many Russian tax treaties, including the tax treaty with the Netherlands; such income would be exempt from tax in Russia.

In the case of a combination of Sukuk and Ijarah, i.e. in classical Sukuk structure, establishing a special purpose vehicle in the Netherlands or Luxembourg, which would lease out assets in Russia, possibly operating via a Russian branch would help to create an efficient and transparent structure in full compliance with the Russian legislation.

These are just few examples of opportunities of successful implementation of classical Islamic finance instruments in Russia. Such instruments could be used for retail sector, project financing and other things relevant to the Russian market. Despite widespread negative perception, many Islamic finance instruments can be successfully implemented in Russia under the current tax and legal laws and regulations.

Moscow Times

In Search of Shariah Funds

Tuesday, 15 December 2009

Liquidity deficit and financial turbulence spurred on by the bankruptcy of Lehman Bros. has highlighted the end of highly leveraged transactions at cheap funding levels. Though regulators have been injecting money since the onset of the credit crunch, attracting funds for longer terms and at lower rates is still the order of the day.

Traditional sources of capital are definitely not enough to satisfy the increasing demands of emerging and developed economies. Thus, the borrowers are in search of alternative liquidity sources. One interesting avenue of finance is Shariah-compliant funding from Islamic investors.

The rise in oil prices in 2007-2008 gave investors major headaches — cash flow grew quicker than the volume of invested funds. In 2006, more than 500 Islamic financial institutions managed Islamic investments exceeding $750 billion. This figure is expected to grow to $1 trillion in the next 2 years.

European countries have been persistently taking steps to develop Islamic finance and now American companies are no longer newcomers to the Islamic bond (Sukuk) market. GE, for instance, this year sold $500 million in a Sukuk issue, while IFC placed a $100 million Islamic bond issue. But the Sukuk market has only just started the road to growth - its volume is under $100 billion, or about 0.1 percent of the global bond market. Although minor, this sum is enough to satisfy the Russian local corporate bond market’s appetite for four to five years.

Islamic investment has been mobilized by a number of international issuers including sovereigns and corporations. The issuers have been both investment grade as well as sub-investment grade. On the sub-investment grade side, there has been a Sukuk issue from the government of Pakistan. Likewise, the government of Indonesia also launched a successful Sukuk issue in 2009 - both issuers have credit ratings below Russia.

So, the question now remains, which spheres of the Russian economy can spark Islamic investors' appetite and what kind of framework is required to structure these transactions? That being said, I would like to highlight a few critical points.

First and foremost, Islamic investors take a pragmatic stance and focus on investing in transactions and industries that are Shariah-compliant (alcohol, gambling, pork and interest are strictly prohibited). It is essential to have a legislative, accounting and tax framework that allows for such transactions to be structured efficiently and for the financing-related elements of a transaction not to be treated as capital-gains tax.

Generally, most Islamic financing products require assets to be the underlying transactions, giving rise to special tax issues that do not affect conventional banks, like:

•Musharaka or a "partnership" agreement between the Islamic bank and the customer that requires a tax return to be filed. This adds to the administrative burden and financing cost;

•In conventional transactions, the primary document to be stamped is the loan document. While in Islamic funding (Murabaha) two additional agreements like asset-purchase and asset-sale are also to be stamped. This might bring on dual stamp duty charges;

•In countries like Malaysia, Islamic banks also deal with "Real Property Gains Tax";

•Installments paid by customers of Islamic banking are technically payments for the acquisition of assets, a capital expenditure and as such may not be tax-deductible;

•As VAT is a transactional tax, the VAT treatment of Islamic products may differ from conventional banking transactions.

In the context of where Islamic finance can be applied in Russia and the CIS, one cannot ignore project finance and infrastructure investments among various other sectors. In June 2009, VTB Capital, Inter RAO and Fouad Alghanim & Sons Co. for General Trading & Contracting signed a memorandum of understanding, aimed at creating value through the development and construction of electricity generation and related infrastructure projects in Russia, CIS and in Arabian Gulf countries. The Russian Federation needs more than $1 trillion in infrastructure investments over the next 10 years. In this respect, an investor-friendly framework that facilitates ease in attracting international capital flows including Shariah-compliant funding is critical.

Gulf investors - conventional and Islamic - have made investments in the real estate sector in various manners - through Shariah-compliant funds, co-investments, sale and lease back transactions, Islamic mortgages, etc. In September 2009, VTB Capital signed a memorandum of understanding with the State General Reserve Fund of the Sultanate of Oman to facilitate investments in Russia’s real estate sector. Earlier, VTB Capital had signed a memorandum of understanding with Liquidity Management House (a wholly owned subsidiary of Kuwait Finance House — one of the largest Islamic Banks) to develop Sukuk and other Islamic products for Russian Corporations.

Islamic investors have interest in a wide range of asset classes such as commodities, agriculture, oil and gas, natural resources, retail banking, equity funds and asset leasing, etc. Corporate Sukuk issuances jumped from $400 million in 2000 to more than $16.8 billion in 2009, crossing the $27 billion threshold in 2007. While Islamic Sukuk investors are currently cautious over the recent Dubai world debt standstill announcement, there remains strong interest in high-growth markets and economies, quality assets and business lines.

Moscow Times

Islamic finance 'to play key role during turmoil'

Tuesday, 15 December 2009

MANAMA: Lessons will not be learned from the current global financial chaos, it was claimed yesterday at a major conference on Islamic finance in Bahrain. "The downturn was genetically engineered by the very people whom we trusted our hard earned money with," Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) secretary general Dr Mohamad Nedal Alchaar, told delegates at the opening session of the AAOIFI-World Bank annual conference on Islamic banking and finance at the Crown Plaza.

He said greed and chronic insomnia were the problems the global system faced, but Islamic finance could dampen these down. "A new financial system in emerging, it is the Islamic banking and finance system." "What we live in today is an innate consequence of the compound greed of individuals, institutions and nation states - individuals who sought more house than the house they can afford, institutions who bet on the demise of each other through the creation of debt default swaps and nation states who excessively accumulated foreign reserves which impaired the international economic adjustment process," he said.

"One would wonder if any lesson is learned and whether this kind of calamity will be repeated. The answer is no to both questions. "Few lessons will be learned but soon forgotten and the whole story will be repeated, perhaps with different techniques and reasons." "Human nature suffers from both greed and chronic insomnia," he added. "With the Islamic financial system, those two symptoms are greatly dampened down.

"Greed is managed and rationed and insomnia is cured. All is done through the imperative existence of the everlasting Shariah rules and principles that must guide structures, and the execution of all financial instruments." He said that he believed we were now seeing signs of recovery across the economic system, but the signs were not yet strong.

But he said that in the Islamic financial system he felt the Sukuk market was strong and growing. He added that while the numbers for this year's conference, with 435 delegates, was down on last year which attracted over 500, it was still a very strong showing with excellent speakers and people from more than 20 countries present.

Gulf Daily

Standard Chartered Welcomes Support for Dubai World, Nakheel

Tuesday, 15 December 2009

DUBAI: Standard Chartered Bank has welcomed the announcement from the government of Dubai that it will satisfy the series of upcoming obligations on Dubai World, including the Nakheel 2009 Sukuk. "The announcement from the governments of Dubai and Abu Dhabi today highlights the true strength of the United Arab Emirates (UAE) Federation," Peter Sands, group chief executive at Standard Chartered said in a statement. "Today's commitment will boost global and regional confidence in the country and allow Dubai to continue to build its profile as one of the world's leading financial centers," he noted.

The bank felt that the announcement would send the right message to the global financial markets. It was announced Monday that the Abu Dhabi government had agreed to channel US$10 billion to the Dubai Financial Support Fund that would be used to satisfy a series of obligations on Dubai World.

The Dubai government had authorized US$4.1 billion of the fund to be used to pay Nakheel Sukuk obligations.

Property developer Nakheel is part of the heavily-indebted government-owned Dubai World conglomerate.

"Standard Chartered, with a presence in the UAE of over 50 years, is committed to the UAE and is confident that the government's long-term strategy will continue to drive high levels of sustainable growth," the bank said.

BERNAMA

Meeting of creditors is next test for Dubai World

Wednesday, 16 December 2009

Dubai World faces another test when it meets creditors next week to begin discussions on its other debts, totaling US$22 billion (Dh80.8bn). After the relief of having met the deadline on Monday to repay the $3.52bn plus profit owed by Nakheel on its Sukuk, UAE markets yesterday appeared to recognize that Dubai World still has a way to go to resolve its financial problems. The Dubai Financial Market Index fell 1.49 per cent and the Abu Dhabi Stock Exchange shed nearly 1 per cent.

Meanwhile, Moody's Investors Service, the ratings agency, placed under review three UAE banks and the regional business of global banking giant HSBC for possible downgrade because of exposure in Dubai. Abu Dhabi Commercial Bank, Commercial Bank of Dubai, and Dubai Bank, may have their ratings cut.

Moody's also announced a downgrade of Tamweel, the Dubai mortgage provider, to "Baa3" from "Baa1" with a negative outlook.

Dubai World will meet representatives of more than 90 bank creditors in the city on Monday in the first meeting of what promises to be a long, drawn-out process of negotiation. The firm is seeking a standstill until the end of next April.

The debts which the Dubai World has placed under restructuring amount to $22bn after the Sukuk payment. Though the company could provide no official breakdown of that figure yesterday between bank and trade creditors, bankers close to the situation estimate at least half that amount is in the form of bank debt, with British banks owed about $5bn.

Financial analysts and experts were divided on the implications of the Sukuk settlement for the broader question of bank debt.

"It is clear the banks will need to work closely with the borrower," said Dr Henry Azzam, the head of Deutsche Bank's Middle East business. "The fact that Dubai World has resources to continue paying interest while they try to negotiate a standstill is encouraging.

"Most of the creditors have been doing business here for the long term and it's in their interest to reach an agreement. There was help from an outside agency for the Sukuk, but it doesn't look as if anybody will step in on the question of bank debt."

Farouk Soussa, a credit research analyst at Standard & Poor's, agreed that there was still work to be done. "For bank creditors, I don't think the process has changed much since the Nakheel Sukuk announcement," he said. "It is not a precedent. The creditors should not be expecting more liquidity. The Nakheel bond is off the table and there is a plan to deal with any potential insolvency, but little else has changed."

Nakheel faces another bond payment of just under $1bn next May.

The creditors meeting next week will finish the job of creating a coordinating committee and formally appoint advisers to represent the creditor banks.

The British banks, Royal Bank of Scotland, Standard Chartered, HSBC and Lloyds, and UAE banks Emirates NBD and Dubai Islamic Bank are expected to comprise the steering committee.

KPMG has been tipped to act as accounting advisers but is not yet confirmed. The committee is also expected to appoint an investment bank adviser.

IFR Briefings, the influential analysis bulletin of Thompson Reuters, said in its daily Gulf Markets Briefing: "There is still a significant smokescreen clouding the emirate's finances … concerns have been raised that lending banks are being pushed to the back of the creditor queue by the [Nakheel Sukuk payment]. Banks which have provided loans to Dubai World and its subsidiaries feel the changes are likely to assist Dubai in driving a much harder bargain in the coming months.

"Their concerns are focused on the fact that the provision of continuing working capital for Dubai World is contingent on the implementation of a standstill agreement. Coupled with the clearer picture on the route a bankruptcy proceeding would take if the standstill is not agreed, bankers feel that the options open to them have been severely curtailed."

Under chief restructuring officer Aidan Birkett of the UK accounting firm Deloitte, Dubai World is conducting a process of due diligence on the group, said a banking adviser close to the talks who declined to be identified. "Job losses and asset disposals are being considered," he said. This was confirmed by a spokesman for Dubai World who declined to elaborate. Dubai World shed some 12,000 jobs worldwide in September.

It is not clear whether the Dubai Government will be represented at the meeting next week. Moelis & Co, the US restructuring and investment specialists, have been appointed to advise the Dubai Government.

The National

Firm plans to launch Islamic finance portal

Wednesday, 16 December 2009

MANAMA: Financial Services Information Company Thomson Reuters plans to launch a new portal early next year that could transform the Islamic financial industry. Details of the Islamic Financial Gateway were unveiled at the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)-World Bank Annual Conference on Islamic banking and finance which closed at the Crown Plaza last night.

The portal, which will offer a wide range of real time Islamic finance information and date aims to improve professionals ability to access information, increase work flow in the industry to make it more internationally connected and open up the industry to conventional finance looking to use Islamic financial products.

"There are three major issues facing the Islamic Finance industry that this portal has been developed to address," said Thomson Reuters global head of Islamic finance Rushdi Siddiqui.

"Firstly it will reduce information search costs by posting data and indices in real time for a variety of product and developments.

"At present there is no global connectivity for the industry and this platform will be able to connect up players from across the globe so that Malaysian Islamic institutions can access what is going on in the GCC and Indonesian players will be able to communicate with events happening in the industry in Pakistan.

"Because of the improved access to information it will help to increase work flow in the industry with real time news across developments in all asset classes as well as provide data and analytical tools," he said.

"It will also open up the Islamic financial markets to conventional financial players. At present the western financial system tends to be a bit wary of Islamic finance which it sees as lacking openness in reporting.

"The Islamic Finance Gateway will overcome this problem by robust, clear and crisp information about the global industry."

"The feedback we have had so far has been very good, particularly because it is seen as getting everyone on the same page," he added. "Its further strength is that is it offers third party input from global players like Standard & Poors and Price Waterhouse Coopers."

Gulf Daily

Bahrain shines at Islamic Finance awards

Wednesday, 16 December 2009

Bahrain banks emerged out the winner at the 4th Annual Islamic Business and Finance Awards ceremony held in Dubai scooping nine out of the 27 awards including Best Islamic Commercial Bank and Best Islamic Training Institution awards. The awards were designed to encourage, inspire and reward excellence within the global Islamic Business and Finance community, said the organizers, CPI Financial, publisher of Islamic Business & Finance.

The awards ceremony brought together some 300 distinguished regional and global industry professionals from around the world celebrating corporate and individual distinction amongst top performers in the industry.

Khaleeji Commercial Bank clinched the ‘Best Islamic Commercial Bank award, while Centre for Islamic Finance (BIBF) was named the ‘Best Islamic Training Institution,’ Al Baraka Banking Group was recognized for ‘Best Islamic Globalization Effort,’ Unicorn Investment Bank received an award for ‘Best Islamic Investment House,’ and Kuwait Finance House won the ‘Best Islamic Wealth Management Campaign Award.’

Once again this year, Gulf-based institutions and individuals were able to compete head-to-head with their international peers, scooping more than two thirds of the trophies or 19 awards. Other winners were drawn from Malaysia, Pakistan, United Kingdom, USA, Australia and Luxembourg, the organizers added.

The top prize of ‘Best Islamic Bank’ went to Dubai Islamic Bank for the second time. The bank had previously won this award in 2007. In addition, individual prizes were awarded to finance professionals whose outstanding contributions have led to the phenomenal growth of this sector, even during one of the most challenging periods in the history of banking and finance.

Tan Sri Dato’ Azman Hashim, chairman of AmBank Group, was honored with the ‘Lifetime Achievement Award,’ while the ‘Outstanding Contribution Award’ was given to Dr Abdulaziz Bin Naif Al Orayer, chairman of t’azur. Mohammed Sulaiman Al-Omar, chief executive officer of Kuwait Finance House was named the ‘Islamic Banker of the Year.’

Unlike the corporate categories, where voters were given a short-list of institutions on which to vote, the individual categories were ‘write-ins’ in which members of the global Islamic financial services industry recognized the contributions to Islamic finance by the individual winners.

Nigel Rodrigues, CEO of CPI Financial, publisher of Islamic Business & Finance, said the astonishing growth of the global Islamic finance industry is mirrored by the increasingly stiff competition for these awards.

'We are proud to recognize and reward the growth and achievements of Islamic financial institutions around the world,' he added.

TradeArabia News Service

Ambank's Chairman Azman Hashim Honored at Dubai Awards Ceremony

Thursday, 17 December 2009

DUBAI: Malaysia AmBank Group chairman Tan Sri Azman Hashim was honoured with the "Lifetime Achievement Award", at the Fourth Annual Islamic Business and Finance Awards 2009 here, recently. Also flying the Malaysian flag high was CIMB Islamic Bank which clinched awards in two categories, the Best Islamic Investment Bank and Best Islamic Retail Bank.

Gulf-based institutions and individuals scooped more than two-thirds of the trophies, or 19 awards. The top prize of Best Islamic Bank went to the United Arab Emirates' Dubai Islamic Bank for the second time. The bank had won this award in 2007. Mohammed Sulaiman Al-Omar, chief executive of Kuwait Finance House, was named "Islamic Banker of the Year".

Besides Malaysia, other winners were drawn from Pakistan, the United Kingdom, the United States, Australia and Luxembourg.

"The astonishing growth of the global Islamic finance industry is mirrored by the increasingly stiff competition for these awards," said Nigel Rodrigues, chief executive of CPI Financial, publisher of Islamic Business & Finance.

The globally recognized awards were launched in 2005 and in response to the phenomenal growth of the Islamic finance industry, currently estimated at around US$840 billion in value and expected to pass US$1 trillion in 2010.

Held on Monday, the awards ceremony brought together around 300 distinguished regional and global industry professionals from around the world.

BERNAMA

ISLAMIC BANKING & INSTITUTIONS

Abu Dhabi Islamic Bank provides over Dhs200million finance facility to International Capital Trading

Monday, 14 December 2009

Abu Dhabi Islamic Bank (ADIB), one of the region's leading Islamic banks, announced today that it has arranged over Dhs200m Islamic finance facility for International Capital Trading (ICT) to finance one of its real estate projects. The agreement was signed at ICT head office in Abu Dhabi by Hamad Abdulla Al Shamsi, Chief Executive Officer of ICT, and Nuhad Saliba, General Manager Wholesale & International at ADIB, and in the presence of Senior executives from both parties.

Nuhad Saliba, General Manager Wholesale & International at ADIB, commented on the agreement:

"Our cooperation with ICT is in line with our vision to support development projects in the UAE. ICT is a leader in the Abu Dhabi property sector and is well known for real estate investment and development projects in the UAE. We are pleased to support their financing needs, as well as other private sector companies."

"ADIB has shown remarkable growth in financing such big-ticket investments and has played a central role in project finance in the UAE. We remain liquid and well capitalized, and our capacity for project finance is excellent. We will continue to play a leading role in bringing back business confidence and in supporting economic growth," Nuhad added.

Hamad Abdulla Al-Shamsi commented: "We welcome the efforts of ADIB to provide innovative and customized financing structures to meet our requirements. We are committed to playing an integral part in the social and economic development of Abu Dhabi. I would like to congratulate the ADIB team in making this deal a reality."

ICT is a private investment company based in Abu Dhabi. Its business activities include owning, developing and managing real estate as well as investing in a wide range of asset classes, ranging from equities to direct investments and real estate.

AME

Dubai Islamic Bank launches Wajaha

Monday, 14 December 2009

UAE: Dubai Islamic Bank (DIB) announced today the launch of Wajaha, a distinguished Wealth Management service for ultra high net worth individuals. Tailored to meet the distinct needs of the ultra high net worth clients, Wajaha is an invitation-only service that offers unparalleled advantages, from unique financial products to personal relationship managers, offered within a private setting in exclusive Wajaha Centres in Abu Dhabi, Dubai and Sharjah.

Wajaha Members are offered a range of personalized benefits including a specially designed Wajaha Infinite Debit Card, a diamond-studded Al Islami Infinite Credit Card offering high credit limits and an array of additional value-added services; as well as preferential financing terms through Wajaha Home and Auto Finance.

In addition, Wajaha Members have access to the Wajaha Takaful Savings Program, with the peace of mind that comes with secure, Shariah-compliant savings.

Wajaha account holders get free access to airport lounges in 600 airports worldwide, and can also benefit from an International Concierge Service, available 24 hours a day, and seven days a week.

Staffed by professional service advisors trained to meet the needs of Wajaha clients, the concierge service is available in more than 400 cities in 120 countries worldwide. Wajaha clients also enjoy specialized travel insurance, roadside assistance, exclusive travel offers and secure cash delivery/pick-up services.

"We are extremely pleased to announce the launch of Wajaha, the latest initiative of Dubai Islamic Bank, which has been carefully designed to meet the specific needs of our ultra high net worth customers," said Abdulla Al Hamli, Chief Executive Officer, Dubai Islamic Bank.

“The launch of this exclusive service is in line with the bank’s overall Retail Banking strategy, which examines each customer’s entire relationship with us, and offers solutions that best meets their needs,” he said.

"In this period of global financial uncertainty, wealth preservation has become even more important, underlining the criticality of sound financial advice and solid relationships” said Dr Adnan Chilwan, Chief of Retail and Business Banking, Dubai Islamic Bank. “Wajaha has been designed to address all the priorities of ultra high net worth individuals in today’s fast-paced, global environment, based upon the safety and security of banking with Dubai Islamic Bank.”

"Our tailor-made Wajaha services include Islamic investment products that are carefully structured to offer competitive, secure returns and a range of flexible benefits," he added.

The launch of Wajaha has created an elite tier for ultra high net worth individuals, who are invited by the bank to enjoy the best products and services. Affluent clients enjoy the bank’s Al Islami Private Banking program, while all other Dubai Islamic Bank clients participate in the bank’s award-winning retail banking program, with an unrivaled suite of Islamic products and services.

BI-ME

Kuwait and Middle East Bank converts to Islamic Bank

Tuesday, 15 December 2009

The Central Bank of Kuwait (CBK) gave the green light for the Bank of Kuwait and the Middle East to fully convert into an Islamic Bank. CBK Governor Sheikh Salem Abdelaziz Al-Sabah said Monday, in a press statement, that the decision was taken by the board in a session last night and was based upon an initial approval of the conversion back in June 2008. The approval had required BKME to take appropriate action for the conversion process within a maximum of one year, and "the bank met the deadline," the governor said.

MENAFN - Qatar News Agency

Thrust on separate Islamic Banking act

Wednesday, 16 December 2009

A one day-long workshop was arranged for the Shariah Inspectors of the Islamic Banks in Bangladesh Monday in a local hotel. Central Shariah Board for Islamic Banks of Bangladesh arranged the program while Millennium Information Solution Ltd sponsored. Justice Mohammed Abdur Rouf was the chief guest of the inaugural session and the workshop was chaired by Mr. Mokhlesur Rahman, Secretary General of the Central Shariah Board.

Justice Abdur Rouf emphasized the urgent need for a separate Islamic Banking Company Act for smooth operation and growth of Islamic Banking in Bangladesh.

Professor Maulana Mohammad Salahuddin, Khatib of Baitul Mokarram National Mosque, Mr. M. Azizul Haque, Prominent Islamic Banking consultant, and Mr. Mahmud Hossain, Managing Director Millennium Information Solution Ltd. were the special guests.

Approximately 35 participants from different Islamic Banks and the Banks running Islamic Banking windows were present in the workshop. Representatives from Bangladesh Bank, Sonali Bank and Agrani Bank also attended.

The Financial Express, Bangladesh

Najib: Islamic Banking System Has Advanced To the Highest Level

Monday, 14 December 2009

PEKAN: The Islamic Banking system in Malaysia has advanced to the highest level, making the country the leading exponent of the system worldwide, Prime Minister Datuk

Seri Najib Tun Razak said Saturday. He said this was based on the country's unique twin financial plan, based fully on Syariah and in line with the financial sector master plan.

"The Islamic banking system is seen as a system which has developed to the highest level and at a fast rate when compared to conventional banking as the growth can be seen in two digits, that is 10 per cent each year", he said while inaugurating the new premises of Bank Muamalat Malaysia's 54th branch here. Also present were Bank Muamalat's chairman Datuk Seri Mohd Khamil Jamil and chief executive officer Datuk Mohd Redza Shah Abdul Wahid.

Najib said the achievement was also made possible by the government's commitment in promoting Islamic teaching as a way of life. He said effort was also carried out to provide a comprehensive training system in Islamic banking by Bank Negara Malaysia.

Najib said he also hoped that Bank Muamalat could promote the Islamic system of pawn broking like Ar-Rahnu. "If there is such an Islamic pawn broking system here, then the local community would experience less Ah Long activities," he said.

At the event, Bank Muamalat opened 200 "smart" deposit accounts for orphans and poor students in the Pekan and Kuantan as part of its corporate social responsibility.

At another function later, Najib also called on the people to add to their knowledge, especially in information technology, to continue progressing. According to him, soft skills are important to access knowledge and for one to become more efficient in carrying out their tasks. He said this while inaugurating the Pekan Resource Centre which is equipped with a library with over 5,000 books, information and communications technology lab, language lab, seminar room, theatre training studio, and administration office.

Najib said the transformation of the centre by Umno showed the party's commitment in meeting the changing needs of the people, such as acquiring new skills.

BERNAMA

Ar Rahnu - An Alternative and Easy Source of Credit

Monday, 14 December 2009

KUALA LUMPUR: Mention pawn broking and you will imagine the destitute who use this service to raise money. But Bank Rakyat plans to remove this stigma attached to the industry by promoting the Islamic concept of pawn broking called Ar-Rahnu through its wholly-owned subsidiary Rakyat Management Services Sdn Bhd.

Ar-Rahnu was introduced as an alternative and easier source of credit, with gold as collateral in exchange for cash. It ensures privacy for the customer as against the conventional pawnshop, which handles the business openly.

"This system (Ar-Rahnu) provides for transparency, privacy and security," Mohamad Sabri Nor, general manager of Rakyat Management Services, told Bernama recently.

"It can also turn borrowers away from Ah Long (loan sharks) or unlicensed pawn brokers," he said after giving a talk on the Ar-Rahnu scheme managed by Rakyat Management Services at Bernama Centre of Excellence recently.

Ar-Rahnu is an Islamic-based pawn broking business which offers interest-free loans, but a minimum fee is charged for the safekeeping of the valuables, with a high mortgage value and a flexible pawn period.

As an example, under the conventional pawn broking system, an individual who pawns a gold chain worth RM1, 000 will only be given a loan of RM600, which carries a two per cent interest or RM13 a month.

"We only charge 65 Sen for every RM100 worth of valuables kept. For a gold item worth RM1, 000, we only charge RM6 a month for safekeeping, a big difference from the conventional system," said Mohamad Sabri.

"Among the advantages are premises and items kept are protected and insured. In case of losses or untoward incidents, reimbursements will be made based on the value of the lost items."

"In the initial stages, it was rather difficult to convince our customers. However, they have now realized that there are more benefits to be derived from Ar-Rahnu," he said, adding that all tests to determine the value of gold items were conducted in front of the customer.

"This business is only open to cooperatives and not for individuals and those planning to set up the business should not worry if they don't have the knowledge about gold. We will help them," said Mohamad Sabri.

Bank Rakyat Ar-Rahnu scheme had its roots in 1993 through capital injection from the Islamic Economic Development Foundation, Malaysia (YAPEIM). The foundation, which was the pioneer of Ar-Rahnu, received funds from the various state religious councils, which in turn channeled them to Bank Rakyat.

During the early years, Bank Rakyat had only six Ar-Rahnu outlets under the supervision of Bank Negara as advisor. To date, Rakyat Management Services operates 15 Ar-Rahnu outlets under the Ar-Rahnu X'Change brand, with the tagline "Gold For Cash". Of the total, seven are owned by Bank Rakyat while another eight are franchise-based.

"My only advice to businessmen is you can use your valuables as capital. This is the quickest and easiest way of financing your projects," said Mohamad Sabri.

"Those who visit pawnbrokers are still shunned by society. The mere mention of the word 'pawn' is strictly forbidden and it's taboo for them. But this is slowly changing as more people are aware of the benefits of Ar-Rahnu."

"What's important is that these customers have assets and they are using them in times of need. They should not be ashamed as they are not purely taking loan, but have valuables as collateral for cash. This is the message that we want to drive home to the people," he said.

Rakyat Management Services, which has some 300,000 clients, also plans to open five Ar-Rahnu outlets every year to cater to the demand, said Mohamed Sabri.

BERNAMA

SUKUK (ISLAMIC BONDS)

Thailand mulls Sukuk issue -World Bank

Tuesday, 15 December 2009

MANAMA: Thailand is considering issuing a sovereign Sukuk, or Islamic bond, to tap the emerging Islamic finance industry, a World Bank official said on Monday. "Thailand, which has not been a borrower for a number of years, has now re-approached us to think through some of these issues," James Adams, vice president for East Asia and Pacific told Reuters on the sidelines of a conference in Manama when asked about potential sovereign Sukuk issuance in the region.

He said Thailand had approached the World Bank to support it with the issuance of a Sukuk but that it was not clear yet which amounts the country was looking at. "You always start small in this business," he said.

Indonesia in April issued its first global sovereign Sukuk, raising $650 million, and plans to issue its next Sukuk to domestic retail investors in April 2010. "Clearly governments in South East Asia have some interest in tapping into Islamic finance," he said.

The World Bank is seeking to help the nascent $1 trillion industry off the ground with a focus on helping it develop micro finance in particular in South East Asia. Its

International Financing Corporation (IFC) in October issued a $100 million Sukuk and plans to become a regular issuer.

Nearly all Sukuk issues in 2009 came from governments or quasi-sovereign entities as private-sector issuance continued to suffer from a debate on the compliance of some Sukuk structures with Islamic law and the repercussions of the global financial crisis.

Reuters

Nakheel begins Sukuk repayment

Wednesday, 16 December 2009

Repayment of a $4.1 billion (Dh15bn) Islamic bond issued by Nakheel is under way with the funds distributed to the clearing system after being sent to the principal paying agent, Nakheel said yesterday. "The principal paying agent has advised the transaction administrator that on December 14, 2009 it received payment of the Sukuk issue amount, the final distribution and the additional distribution amount on the scheduled redemption date," it said.

Deutsche Bank is the transaction administrator.

Nakheel has a 14-day grace period for payment and said on Monday it would pay the funds within that two-week period.

Meanwhile, in Kuwait City, Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan said the UAE has "always stood together", while commenting on the financial support provided by Abu Dhabi. The federation proved wrong those who doubted its unity. "They don't know us," he said. "Just look back at our history and you would know the UAE has always stood with each other," the foreign minister said. The latest $10bn support followed the sale of $10bn in Dubai bonds to the UAE Central Bank based in Abu Dhabi in February and a $5bn loan by two Abu Dhabi-owned commercial banks on November 25.

Sultan bin Saeed Al Mansouri, Minister of Economy also praised the support given by Abu Dhabi to Dubai. "Abu Dhabi is committed to support Dubai or any other emirate that faces economic challenges or problems," he told Emirates Business.

"The $10bn support given by Abu Dhabi to Dubai shows the UAE is one state and there is no difference among emirates.

The step comes in line with the wise directives of the President His Highness Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi," said the Minister of Economy.

Business 24-7

Kerala Plans 1st Islamic Bond as Dubai may curb Funds

Thursday, 17 December 2009

Kerala, the Communist-ruled Indian State that relies on Middle East remittances for a quarter of its economy, plans to sell the Nation's first Islamic bonds next year to help pay for infrastructure projects. "The way we see it it's another form of venture capital," Finance Minister Thomas Isaac said in an interview in Thiruvananthapuram, the Southern State's main city. "We need long-gestation funds to build airports, high-speed trains and expressways. Islamic finance promises unexplored potential in that context."

Kerala's government is helping start Al-Barakah Financial Services Ltd. to sell the Rupee-denominated bonds and create investment funds that comply with Shariah law's ban on interest, Isaac said. The venture will tap Indian Muslims and money Sent home by workers living in Gulf countries even as a debt crisis in Dubai threatens to shrink the remittances, he said.

Islamic finance may help India raise the $500 billion it needs to spend on infrastructure by 2014 as it seeks to sustain the second-fastest pace of growth among major economies, according to national government estimates. Islamic bond sales almost doubled to a record $31 billion in 2007 on Arab oil earnings before plunging last year as the collapse of Lehman Brothers Holdings Inc. shuttered credit markets, according to data compiled by Bloomberg. Crude oil will climb to $82 a barrel in the first quarter of next year from about $71 now as demand from emerging markets increases, Goldman Sachs Group Inc. forecasts.

'Big Prize'

Islamic bonds, also known as Sukuk, are asset-based securities that pay a profit rate to investors to comply with Shariah prohibition of interest and speculation.

"India, if opened up for Islamic banking, is the big prize," Afaq Khan, Dubai-based Chief Executive Officer of Standard Chartered Plc's Islamic banking unit, said in a telephone interview. "Its large Muslim population and strong growth promise excellent opportunities for releasing a lot of funds into the documented economy."

India's economy expanded 7.9 percent in the quarter ended Sept. 30, the second-fastest pace of expansion among major economies after China. The South Asian nation's growth averaged 8.5 percent in the six financial years through March.

Muslims make up approximately a quarter of Kerala population and 13.4 percent of India's 1.1 billion people, according to government data. Only Indonesia and Pakistan have more inhabitants who adhere to the religion.

Indonesia Sukuk

Indonesia's first sale of dollar Sukuk in April drew bids for seven times the securities on offer, the head of the country's debt management office said. Dubai, which said Dec. 14 that it got $10 billion from neighboring Abu Dhabi to help state-owned Dubai World meet its obligations, raised $1.93 billion from its first sovereign Islamic bonds in October.

Kerala will hold an 11 percent stake in Al-Barakah, which aims to start business next year with 10 billion rupees ($214 million) of capital, according to T. Balakrishnan, principal secretary at the State's industries department. More capital will be raised from a group of investors led by Oman-based Indian businessman P. Mohammed Ali, and foreigners may be invited to buy stakes in the venture in the future, he said.

"We toyed with the idea of Islamic finance for the past few years, but it was when the recent credit crisis shook the foundations of conventional banking that we felt it's really the time to get moving with it," Balakrishnan said in an interview. "Current rules don't permit an Islamic bank yet but they do allow a non-banking firm. We will develop the company into a fully-fledged bank as and when regulations permit."

Gulf Remittances

India is the world's largest recipient of migrant worker remittances, and its 4.5 million citizens living in the Gulf Send home more than $10 billion each year, according to the Ministry of External Affairs.

Almost 90 percent of the 1.9 million people who migrated overseas from Kerala lived in the Gulf countries in 2007, sending home as much as $5 billion, according to the Thiruvananthapuram-based research institute Centre for Development Studies.

"It's quite likely that Dubai will face a severe downturn in the real estate and financial sectors and that will affect jobs and remittances," Isaac said.

A panel headed by Raghuram Rajan, a former chief economist of the International Monetary Fund, recommended last year that India introduce interest-free banking to attract more capital into the mainstream financial services industry.

'Untapped Potential'

"We are creating an avenue for a lot of people who aren't comfortable with investment opportunities that don't comply with Shariah," Ali, the chairman of Al-Barakah's investors and vice- chairman of Galfar Engineering & Contracting SAOG., said in a phone interview from Muscat, Oman. "We see a lot of untapped potential to raise capital for development projects."

Kerala, where in 1957 a communist government was voted into power for the first time, takes a "very pragmatic" approach to free enterprise instead of allowing ideas to be stymied by politics, said Balakrishnan, citing examples of a state- sponsored lottery and a privately-owned airport.

"We have a large and affluent community of Muslims who may prefer banking that's in accord with their faith," he said in his government office. "Given that, at a time when the ways of traditional finance are being questioned globally, why not look at alternatives?"

Bloomberg

TAKAFUL (ISLAMIC INSURANCE)

ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

Khalijia Invest commence activities as Shariah compliant investment company

Monday, 14 December 2009

Khalijia Invest one of the recently established investment companies in the region, specializing in Corporate Finance and Asset Management, operating in compliance with Shariah guidelines announce the commencement of its operations, under its five licenses awarded by the Saudi Capital Market Authority.

Khalijia Invest Company is a Closed Joint Stock Company with its head office in Riyadh, with authorized Capital of SAR 400 Million. Khalijia Invest is licensed by the Saudi Capital Market Authority (CMA) to conduct, Dealings as principal and agent, Managing, Arranging Advising and Custody. Khalijia Invest shareholders comprise prominent Saudi trading houses and leading Gulf financial institutions, namely by National Investment Company (NIC) and Gulf Bank of Kuwait.

AC

Singapore Islamic REIT plans

Tuesday, 15 December 2009

SINGAPORE: ARA Asset Management and Qatar’s Regency Group plan to launch the first real estate investment trust (REIT) here that will comply with Islamic principles as investor interest returns to REITs. The proposed Islamic, or Syariah-compliant, REIT will comprise hotels and serviced apartments in Qatar with an initial portfolio of around 164,000 sq m of gross floor area, said ARA, which is part-owned by Hong Kong property giant Cheung Kong.

ARA hopes to list the proposed REIT in the second half of next year. It declined to give an estimated value for the properties, which belong to Regency, a large Qatari developer which also owns car rental and travel agencies.

Singapore REIT sector is the third largest in Asia, after Japan and Australia. Unlike their regional counterparts which stay closer to home, the City-State's REITs invest across Asia and currently own around US$34 billion (US$1 = RM3.41) worth of properties ranging from industrial parks in India to malls in China.

Interest in Singapore REITs has picked up in the past month, with several trusts raising new equity or announcing acquisitions as confidence in Asian commercial property markets returns.

Suntec Real Estate Investment Trust, a REIT managed by ARA, last week raised S$152.9 million (S$1 = RM2.45) by selling new units through a private placement that was more than five times oversubscribed.

DBS Group is the financial adviser for the proposed ARA REIT.

Reuters

LCL rebounds from new low

Tuesday, 15 December 2009

PETALING JAYA: Shares in interior fit-out firm LCL Corp Bhd fell yesterday to a new record low before paring losses as concerns over the company’s loan defaults eased after Abu Dhabi provided US$10bil in financial support to Dubai. Abu Dhabi offered the lifeline to help state-owned Dubai World meet its obligations, including US$4.1bil to repay an Islamic bond maturing yesterday for the real-estate unit Nakheel PJSC. LCL rebounds from new low

Asian stocks in general rebounded from losses on optimism the emirate’s debt problems won’t spread to other emerging markets.

LCL shares fell to 17 Sen, a new low, before climbing back to close at 23 Sen. The Stock had tumbled 10 Sen, or 31%, to 22 Sen on Friday after the company said it did not pay loans amounting to RM72mil and was facing further defaults. As at end-September, LCL's total debt stood at RM376mil. Most of the loans are short-term financing and almost all its borrowings were intended for working capital. The group said it had defaulted on loans worth RM69.4mil due to Affin Bank Bhd and RM2.6mil to Bank Islam Malaysia Bhd.

Maybank Investment Bank banking analyst Wong Chew Hann said there was a possibility of further defaults by LCL owing to its overall tight working capital position as result of the delay in repayment of its receivables. However, loan defaults by other Malaysian companies were highly unlikely, she added.

When contacted, LCL managing director Datuk Low Chin Meng declined comment on the possibility of further default by the company.

Listed contractors with a presence still in Dubai are LCL, Zelan Bhd and IJM Corp Bhd, which is slated to complete its last job by the first quarter of 2010.

"Except for LCL and WCT Bhd, which is affected by the Meydan contract dispute arbitration, bad debt should not be an issue for the contractors," she said.

Wong said the affected banks such as Affin would have provided for losses in its results for the past few quarters since the Dubai financial crisis was highlighted early this year. She added that Affin would most probably look to restructure its loan facility to accommodate the LCL group's current financial difficulty.

LCL said last week the defaulted credit facilities would have a consequence on the Group's bank borrowings, which would also be declared default by other banks under the cross-default clause.

Other lenders used by LCL with cross-default terms include AmBank Bhd, Alliance Bank Malaysia Bhd, Bank Muamalat Malaysia Bhd, EON Bank Bhd, CIMB Investment Bank, Exim Bank, Kuwait Finance House (M) Bhd, Public Bank Bhd, Standard Chartered Bank Malaysia Bhd and Royal Bank of Scotland Group Plc.

Banks, when contacted by StarBiz, declined to give immediate response on this matter.

Maybank Investment said in a report that its checks revealed marginal exposure by Malaysian banks to Dubai, adding that these were loans mainly for project financing or the holding of bonds. It estimated a total exposure of RM500mil to RM800mil for the five major banking groups.

The relatively larger exposures were at Malayan Banking Bhd which, in a worst-case scenario, could impact the shareholders' funds by up to 1.9% and RHB Capital Bhd by up to 1%, it said.

"Exposures of CIMB Group Holdings Bhd and AMMB Holdings Bhd were marginal, while Public Bank group had no exposure to any corporations in Dubai," the report said.

Star Biz

T'azur chairman wins Islamic Finance award

Wednesday, 16 December 2009

Sheikh Dr Abdulaziz Bin Naif Al Orayer, the chairman of T'azur Company, has won the 'Outstanding Contribution to Islamic Finance' award at the 2009 Islamic Business & Finance Awards. The annual award ceremony honors companies and individuals that have made a significant contribution to global Islamic Finance industry. Short-lists for each of the categories are compiled by judges from across the globe and are voted on by the global readership of the Islamic Business & Finance magazine.

"Islamic Finance, and Takaful in particular, is a new and very challenging field; we at t'azur always have and always will continue to develop innovative products and services for the benefit of all our clients," said Sheikh Dr Al Orayer.

T'azur is a Bahrain-based Takaful (Islamic Insurance) company, founded by Unicorn Investment Bank, and offers both life and non-life products and services to individuals and corporate clients.

The company has operations in Bahrain, Kuwait and Qatar, where it recently established itself as the first Islamic General Insurance Company in the QFC (Qatar Financial Centre).

TradeArabia News Service

ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

AAOIFI and World Bank to hold Annual Conference in Bahrain

Monday, 14 December 2009

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in cooperation with the World Bank, will convene the AAOIFI - World Bank Annual Conference on Islamic Banking and Finance on 14 and 15 December 2009 in Bahrain Conference Centre, Crown Plaza Hotel, Manama, Kingdom of Bahrain. The Conference is held under the auspices of Central Bank of Bahrain.

At the opening ceremony, the Conference introduction will be given by Dr Mohamad Nedal Alchaar, Secretary General of AAOIFI; welcome address by H. E. Shaikh Ebrahim Bin Khalifa Al Khalifa, Minister of Housing, Kingdom of Bahrain who is also Chairman of Board of Trustees of AAOIFI; opening address by H. E. Rasheed Mohammed Al Maraj, Governor, Central Bank of Bahrain; and keynote address by Mr James Adams, Vice President, the World Bank.

Discussions at the Conference will be led by eminent Shariah scholars and members of Shariah Board of AAOIFI - the International Organization that formulates standards on accounting, auditing, ethics, governance, and Shariah for the international Islamic finance industry. AAOIFI also offers professional development programs such as the Certified Shariah Adviser and Auditor (CSAA) and Certified Islamic Professional Accountant (CIPA), and contract certification program that certifies financial contracts between Islamic financial institutions and their clients comply with Shariah rules and principles.

"This Conference, which is a premier event for the international Islamic finance industry, brings together the leading Shariah scholars and Islamic finance practitioners to discuss the challenges and opportunities for the industry especially in the current international financial environment," said Dr. Mohamad Nedal Alchaar, the Secretary - General of AAOIFI. The opening ceremony of the Conference will also see graduation certificates being handed over to candidates who have passed the recent CSAA and CIPA examinations. The conference is supported by Albaraka Banking Group, Bahrain Islamic Bank, Elaf Bank, Emirates Islamic Bank, Ernst & Young, Gulf Finance House, Khaleeji Commercial Bank, Kuwait Finance House, International Turnkey Systems, Ithmaar Bank, Path Solutions, Qatar Islamic Bank, and Unicorn Investment Bank.

AME

WORLD FINANCIAL INSTITUTIONS; ADB, ISDB, WORLD BANK & OTHERS

ASIAN DEVELOPMENT BANK

Asia Pacific Must Act Now to Tackle the Scourge of Climate Change - ADB

Monday, 14 December 2009

COPENHAGEN, DENMARK - The countries of Asia and the Pacific have a strong stake in a successful outcome to the current climate change talks in Copenhagen, senior officials of the Asian Development Bank (ADB) said Sunday. Most have already prepared action plans to address both the causes and consequences of climate change. The People's Republic of China and India, for example, have announced comprehensive strategies, including renewable energy and energy efficiency ambitions, and have committed to improve land and forestry management, the officials said.

The Asia and Pacific region is expected to suffer significantly from the detrimental effects of climate change such as rising sea levels and extreme weather events. This could seriously undermine the economic potential of the region and damage livelihoods.

ADB role is to work with its developing member countries to address climate change through financing and technical support for both adaptation and mitigation, the officials said at ADB Day, a day-long series of discussions organized by ADB and held in the Danish Capital.

Within the climate change agenda, a redirection of the transport sector's development was highlighted as crucial. ADB President Haruhiko Kuroda pointed to the urgent need for establishing a low-carbon, climate-resilient transport sector. Transport is one of the largest and fastest growing sources of greenhouse gas emissions, accounting for 23% of global carbon dioxide emissions. "No global solution can be found to the climate change challenge without real progress in the transport sector – especially in Asia," said Mr. Kuroda. "Annual transport-related carbon dioxide emissions in Asia are estimated to double between 2006 and 2030, from 1 billion to 2.3 billion tons."

Seminar speakers noted that many countries have begun to adopt clean fuel technologies, but the sheer increase in demand for private motor vehicles and other forms of fossil-fuel burning transport are outweighing the gains at this point. The transport sector faces a major challenge to find alternatives to fossil fuels that can both reduce greenhouse gas emissions, which would also help to ensure the energy security of developing Asian countries.

High-ranking officials from government, development agencies, and academia took part in ADB Day, including Rajendra Pachauri, chairman of the UN Intergovernmental Panel on Climate Change, Rae Kwon Chung, Ambassador for Climate Change from the Republic of Korea, and Tariq Banuri, director of the sustainable development division of the United Nations Department of Economic and Social Affairs.

The workshop was held in conjunction with the UN-led negotiations on a new agreement to combat climate change, which have drawn more than 30,000 government leaders, policymakers, private sector and civil society experts and activists to Copenhagen.

ADB

Vietnam Gets $630 Million Facility to Reform Large SOEs, Spur Growth

Monday, 14 December 2009

MANILA, PHILIPPINES - Vietnam will get up to $630 million in financial support from the Asian Development Bank (ADB) to carry out further reforms of state-owned enterprises (SOEs) making them more efficient, profitable and transparent in a bid to spur economic growth and open up opportunities for the private sector. The ADB Board of Directors today approved a $630 million multi-tranche financing facility for the *Vietnam SOE Reform and Corporate Governance Facilitation Program*. It continues ADB support to the government's SOE reform agenda through financial and technical assistance.

The government has been equitizing SOEs - or converting them into joint stock companies with limited liability - since 1992, but the process has been relatively slow and confined mainly to smaller enterprises. The government is now planning to equitize and transform large general state corporations to improve their efficiency and unlock the full potential of their subsidiary companies. ADB assistance will facilitate this process by making corporations that are going concerns more attractive to strategic and other outside investors by strengthening their balance sheets, rationalizing corporate structure, streamlining management processes and increasing transparency to internationally acceptable standards.

ADB new program will also provide training and other assistance to government institutions involved in the SOE reform process, such as the Debt and Asset Trading Corporation. The first tranche of $130 million will support transformation of the Song Da group of companies, which are involved in several different business segments related to infrastructure, and Southern Waterborne Transport Corporation, which provides logistics services.

Turning major corporations into more profitable and efficient businesses will have multiple benefits including facilitating policies promoting equal treatment of SOEs and private companies, thus enhancing private sector development. The multitranche financing mode is being used as it gives ADB and the government the necessary flexibility to adopt lessons learned in the first stage of the program and to apply them to the subsequent stages.

Under the financing facility, ADB will provide $600 million from its ordinary capital resources (OCR) to strengthen the balance sheets of selected corporations through debt restructuring, with $30 million from its concessionalAsian Development Fund (ADF) used to support operational and corporate governance improvements, and institutional strengthening. ADB's funds make up almost 36% of the estimated $1.77 billion cost of SOE transformation till 2015 with the remaining balance expected to be financed from government contributions, internal resources of participating general corporations and strategic investors.

In the first tranche, ADB will provide an OCR loan of $120 million, and an ADF loan equivalent to $10 million. The terms and conditions of the OCR funds will be based on ADB LIBOR-based lending facility, while the ADF loan has a term of 32 years, including a grace period of eight years. Interest during the grace period is 1% per annum, and 1.5% for the rest of the term.

The Ministry of Finance is the executing agency for the program, with the financing facility to be utilized from December 2009 to December 2015.

ADB

Bus Rapid Transit Project to Cut Greenhouse Gas Emissions in PRC

Monday, 14 December 2009

MANILA, PHILIPPINES - Lanzhou, the capital of Gansu Province in the People's Republic of China (PRC), will receive a $150 million Asian Development Bank (ADB) loan to help set up a sustainable urban transport system that will reduce transport time and costs, and cut harmful emissions of greenhouse gases. The ADB Board of Directors approved the loan for the *Lanzhou Sustainable Urban Transport Project.* The centerpiece will be the establishment of a bus rapid transit system - marking the first ADB project to support an urban mass transport service.

Lanzhou, like other urban centers, has seen unprecedented growth over the past 20 years, as the country's economy has boomed. Private motor vehicle use has surged and brought significant benefits, but also caused serious problems including chronic road congestion and pollution. The PRC is now the world's largest greenhouse gas emitter, with road transport an increasingly significant contributor. Taking into account the concerns over rising private motor vehicle use, the Lanzhou municipal government has drawn up an urban development plan, which includes a bus rapid transit system that will link a planned new city center to the original hub, providing a fast, clean, economical mass transport service.

Along with establishing 13 kilometers of dedicated bus-only lanes and 22 stations, the project will build or rehabilitate over 33 kilometers of roads, install advanced traffic control and pollution monitoring systems, develop bicycle lanes and bicycle parking facilities to support non-motorized transport, and support a study for traffic demand management. This is also the first ADB transport project to support preparation of an application for certification under the Clean Development Mechanism (CDM) of the Kyoto Protocol, which will provide revenue that can help offset some of the costs of running the transit system. ADB is providing technical support to the Lanzhou government to prepare an application to tap the mechanism.

The project will have wide ranging benefits including shortened travel times, reduced carbon dioxide emissions, lower accident rates and improved services for the disabled and elderly. It is expected to link closely with a planned light rail transit system, and underpins a broader ADB plan to develop ‘green’ sustainable transport options in PRC.

ADB loan makes up around 31% of the total project cost of $480.3 million, with Bank of China financing $240.3 million and Lanzhou Municipal Government providing about $90 million. The loan, from ADB ordinary capital resources, has a term of 25 years, including a grace period of 5 years, with the interest rate determined in accordance with ADB’s LIBOR-based lending facility.

The Lanzhou municipal government is the executing agency for the project which is expected to be completed by the end of December 2014.

ADB

ADB More Upbeat on Emerging Asian Economies for 2009 and 2010

Tuesday, 15 December 2009

MANILA, PHILIPPINES - Emerging East Asian economies have performed better than anticipated thanks to swift policy responses and an improved external environment. The region is set for a speedy recovery this year and in 2010. The Asian Development Bank's (ADB) *Asia Economic Monitor* released today is now forecasting that the 14 economies of emerging East Asia will grow by 4.2% this year and by 6.8% in 2010. That is higher than the 3.6% and 6.5% respectively forecast for the region in September *Asian Development Outlook 2009 Update*.

Emerging East Asia comprises the 10 economies of the Association of Southeast Asian Nations plus the People's Republic of China (PRC); Hong Kong, China; Republic of

Korea; and Taipei,China. "Emerging East Asia is rebounding strongly and growth rates next year are likely to slightly outpace 2008 in most countries," said Jong-Wha Lee, ADB Chief Economist and head of the Office of Regional Economic Integration which prepared the report.

In a *separate special assessment*, also released today, ADB raised its forecast for growth in developing Asia to 4.5% this year and 6.6% in 2010. Developing Asia comprises 45 member countries of the ADB.

Asia Economic Monitor noted that the pace of recovery is uneven across emerging East Asia, however. The newly industrialized economies of Hong Kong, China; the Republic of Korea; Singapore; and Taipei,China, along with the more export-oriented economies of the Association of Southeast Asian Nations (ASEAN), were hit hard by the global financial crisis but are poised for a swifter recovery. The less open ASEAN economies were damaged much less by the global downturn and are not expected to post a major rebound in growth in 2010.

PRC's economy, which managed to maintain growth throughout the global financial crisis, is likely to grow faster in 2010 than in 2009, with the pace dependent on the speed of the global recovery. ADB is maintaining its forecasts for the PRC at 8.2% for this year and 8.9% in 2010. "Despite the V-shaped recovery now underway, it's essential that fiscal and monetary stimulus remain accommodative where possible to put economies on a sound footing. A key challenge for each economy will be to carefully time when best to rollback the stimulus to ensure sustained recovery but avoid both excessive inflation and hefty fiscal shortfalls," said Mr. Lee.

Other risks to the outlook for the region include a short-lived recovery in developed economies, which are markets for many goods produced in emerging East Asia, a slower-than-expected recovery in private consumption in Asia and destabilizing capital flows. Investors have rushed back to Asia in recent months as global risk appetite has returned. However, this poses policy challenges for the region, potentially destabilizing the real economy and raising the threat of a sudden reversal of flows.

The region would benefit from greater cooperation to manage capital flows, enhance productivity, and ensure financial stability. Closer coordination on exchange rates, in particular, would boost cross-border investment and trade, the report said.

"By working more closely together, Asia can lay solid foundations for long-term economic expansion and ensure it plays a role in the reshaping of the global financial and economic architecture," Mr. Lee said.

ADB and the ASEAN Secretariat are currently setting up an interim surveillance body in advance of the creation of a permanent independent regional surveillance unit. The unit will monitor and analyze regional economies in support of the multilateralized Chiang Mai Initiative, a pool of Asian foreign reserves that can be used to support regional economies in difficulties.

ADB

Special ADB Assessment Upgrades Economic Forecast for Developing Asia

Tuesday, 15 December 2009

MANILA, PHILIPPINES - The Asian Development Bank (ADB) has upgraded its economic forecast for developing Asia after third-quarter data showed a better-than-expected performance by many countries in the region. In a *special assessment* of the region released today, ADB said it now expects developing Asia to grow by 4.5% in 2009 and 6.6% in 2010. That marks an increase from the 3.9% and 6.4% it predicted in its *Asian Development Outlook (ADO) 2009 Update* published in September. Developing Asia comprises 45 member countries of ADB and covers Central Asia, East Asia, South Asia, Southeast Asia and the Pacific.

"The global economic situation is changing rapidly, necessitating frequent reassessments. The prospects for much of the region look rosier than they did in September when we last did a full study of the region. Fiscal and monetary stimulus policies and a moderate improvement in the G3 economies of Europe, Japan and the US helped East Asia and Southeast Asia in particular," said Jong-Wha Lee, ADB's Chief Economist.

ADB forecasts East Asia – comprising the People's Republic of China (PRC); Hong Kong, China; Republic of Korea; Mongolia; and Taipei, China – will expand by 5.1% this year and 7.3% next year while Southeast Asia is now set to grow 0.6% in 2009 and 4.5% in 2010. Southeast Asia is made up of Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Myanmar; the Philippines; Singapore; Thailand; and Viet Nam.

The forecast for the PRC remains unchanged from September's *ADO 2009 Update* at 8.2% in 2009 and 8.9% in 2010. Meanwhile, ADB now expects growth in India to be 7.0% this year, one percentage point higher than previously expected, but has kept the 2010 forecast unchanged, also at 7.0%.

"We expect the PRC's economic growth to accelerate next year, but the speed of that upturn will depend on the performance of the global economy. The recovery in the G3 is still soft and there are a number of downside risks," said Mr. Lee. "Meanwhile, India faces some challenges – particularly from rising prices – that the government and central bank will have to consider carefully as they assess policy."

Central Asia now looks set to grow more slowly in 2009 than previously expected largely due to persistent economic weakness in Armenia, but the region should still expand by 3.6% in 2010. The outlook for Pacific economies remains unchanged.

ADB publishes its *Asian Development Outlook* for developing Asia in March or April and updates those forecasts in the *Asian Development Outlook Update,* the subsequent September. It publishes the *Asia Economic Monitor*, a study of the 14 economies of emerging East Asia in July and December. The *Asia Economic Monitor* was also released today.

ADB

Women Key Beneficiaries of Innovative Rural Road Project in Sri Lanka

Tuesday, 15 December 2009

MANILA, PHILIPPINES - Isolated rural villages in Sri Lanka will be connected to provincial road networks through an innovative project that will work closely with local governments to employ poor villagers, particularly women, to rehabilitate and maintain rural access roads in their area. The ADB Board of Directors approved a $3 million grant from the *Japan Fund for Poverty Reduction* - funded by the Government of Japan and administered by ADB - to finance the project in more than 60 villages in the Eastern and North Central provinces. Some 10,000 families in the project area have been marginalized from mainstream development and remain in poverty because rural access roads to their villages are either in poor conditions or do not exist. Most of the families depend on the government's welfare program, which barely meets their daily needs.

The ADB project will upgrade about 250 km of rural access roads, and pilot test a plan to improve rural transport services, to connect local communities to the provincial roads or to essential social services facilities. Four local non government organizations (NGOs) will be retained to identify, train and supervise up to 2,000 community members to work on road rehabilitation and maintenance. Another 900 community members will be given relevant skill training for livelihood development. At least 50% of the workers will be women, with opportunities extended to war widows and female heads of household.

The NGOs will also assist the workers in opening and maintaining bank accounts so that a portion of the workers income will be paid directly into individual accounts. These savings may provide a base for the establishment of micro and small-scale enterprises after completion of the road work. “Isolation and marginalization are fundamental causes of poverty, and the villages in the project area have been isolated and marginalized for many years," said Francesco Tornieri, Social Development Specialist in ADB’s South Asia Department. "Through the rehabilitation of rural access road, this project will help address the underlying causes of poverty and provide sustainable livelihood opportunities to a considerable number of the poor," added Mr. Tornieri.

ADB

ADB Expands Trade Finance Program in Bangladesh

Thursday, 17 December 2009

MANILA, PHILIPPINES - The Asian Development Bank (ADB) has expanded its *Trade Finance Facilitation Program* (TFFP) in Bangladesh with the signing today of 12 more agreements under the program in the South Asian nation. The agreements with Bank Asia Ltd., BASIC Bank Ltd., Dhaka Bank Ltd., Dutch Bangla Bank Ltd., Eastern Bank Ltd., Export Import Bank of Bangladesh Ltd., National Bank Ltd., Premier Bank Ltd., Prime Bank Ltd., Southeast Bank Ltd., Standard Bank Ltd., and United Commercial Bank Ltd. should give the banks additional room to offer trade finance support to importers and exporters in Bangladesh, providing additional impetus for the local economy.

"Just as in other developing economies, some firms in Bangladesh, particularly smaller companies, find it difficult to get hold of the trade finance they need to buy key components and final goods from overseas or to ensure timely payment for products they are selling abroad," said Paul Heytens, Country Director for ADB's Bangladesh Resident Mission.

The TFFP was set up in 2004 and was expanded to a $1 billion program in March this year after ADB perceived a growing and urgent need to help address the lack of finance that was holding back trade, particularly in developing economies. Under the program, the triple-A rated ADB provides loans and guarantees through, and in conjunction with, local and international banks to back trade transactions.

In the first 10 months of this year, the program supported over $1.3 billion in trade, a 125% increase over the $578 million that it supported in 2008.

In addition to providing the finance, the program links banks and firms in developing economies into global trading and banking networks. This builds relationships and spurs knowledge sharing that will help banks and their clients in the longer term.

"In our increasingly globalized world, it's essential that banks and companies are able to fully participate in the gradual recovery of the world economy. By bolstering trade, jobs are created and family incomes increase, reducing poverty and directing spending into the local and global economies," said Philip Erquiaga, Director General of ADB's Private Sector Operations Department that manages the trade finance program.

The latest agreements add to those previously signed by fellow Bangladeshi banks Eastern Bank Ltd. and Southeast Bank Ltd.

This year, ADB has expanded its trade finance program into a number of countries for the first time, while the number of participating banks elsewhere has also increased. In recent months, for example, ADB has signed TFFP agreements with banks in Sri Lanka, Pakistan, Nepal and Indonesia. It expects to continue to expand the geographical scope of the program to Central Asia and elsewhere in 2010.

ADB

ADB Supports Project to Supply Clean Water, Sanitation to 350,000 People on Vietnam Central Coast

Friday, 18 December 2009

MANILA, PHILIPPINES - Viet Nam is to provide clean water and hygienic toilets to 350,000 people in six central coast provinces, as it seeks to stay on track to meet national service targets and *Millennium Development Goals* in the sector. To support the government, ADB Board of Directors today approved a loan of $45 million for the Central Region Rural Water Supply and Sanitation Sector Project. It will be used to fund the construction of piped water supply systems, to build or rehabilitate hygienic toilets in homes, schools, and health centers, and for hygiene awareness activities. Project work will be carried out in poor rural areas in the provinces of Binh Dinh, Ha Tinh, Nghe An, Quang Binh, Quang Nam and Thanh Hoa. In the six project provinces, poverty rates are higher than the national average, the quality and availability of groundwater is poor, and sanitation coverage is low.

Vietnam has made significant headway in providing clean water and is on track to meet its goal of 85% coverage of the total population by 2010. In response to unmet needs, the government has been carrying out a second national target program for 2006-2010. It will expand access to clean water to an additional 14.7 million people, and hygienic toilets for 2.6 million households. However, progress on improved sanitation has been slower and it is unlikely to meet its 2010 target of 70%. Around 75% of the population lives in rural areas, where knowledge of hygienic practices is weak, the sustainability of water supply is affected by cost barriers, and communities are often overlooked in the planning and provision of services.

“Better access to clean water and hygienic sanitation will improve public health, reduce poverty by cutting medical expenses and lost work days, and reduce the burden on women who are typically tasked to collect water and care for sick family members,” said

Paul van Klaveren, Water Supply and Sanitation Specialist in ADB's Southeast Asia Department.

Communities will be fully involved in the implementation of the project with grants and credit being provided directly to households to build latrines. Credit will go to households not designated as poor through a revolving fund managed by the Viet Nam Women's Union. To improve hygiene awareness, water and sanitation commune committees will be formed to support information and education activities, with at least 40% of the members, to be women.

The project will ensure service connections are provided at minimum cost allowing all households to benefit. By 2016, 90% of the population in the project communities will be connected to a water supply system, while 65,000 households will have access to hygienic toilets.

ADB loan, from its concessional *Asian Development Fund*, covers 90% of the project cost of $50 million. The loan has a 32-year term, including a grace period of 8 years, with interest charged at 1% per annum during the grace period, and 1.5% per year for the rest of the term. Government of Viet Nam and project beneficiaries will make up the balance of the cost with in-kind and cash contributions totaling $5 million.

Ministry of Agriculture and Rural Development is the executing agency for the project, which is due for completion around the end of 2016.

ADB

Wind Power for Remote Communities in Asia Gets ADB Support

Friday, 18 December 2009

MANILA, PHILIPPINES - Wind offers a reliable and carbon emission-free source of electricity and the Asian Development Bank (ADB) is providing support to expand its use throughout remote communities in Asia, helping to alleviate poverty and improve lives. Technical assistance grants totaling $3.87 million from ADB concessional funds for the Deployment of Distributed Small Wind Power Systems in Asian Rural Areas will lay the groundwork for utilizing wind power to enhance access to electricity in poor rural communities.

Nearly one billion people in Asia and the Pacific are still trapped in poverty with no access to electricity and a large number of them live in remote windy areas where it is both difficult and costly to connect to power grids. Wind power offers a practical alternative provided key challenges are met, which include the high up-front investment costs, difficulties in accessing finance, and the need to attract private sector participation.

By 2020, ADB estimates that small wind power systems will serve at least 2.5 million poor people and avoid about 1.25 million tons of carbon dioxide emissions a year.

The technical assistance work will examine ways to overcome current hurdles, paving the way to replicate and scale-up deployment of small wind power systems around the region. It aims to develop financing mechanisms that can boost the viability of small wind power systems, including financial leasing and the mobilization of grant assistance. It will also examine public-private partnerships and build-operate-transfer models, along with ways of utilizing carbon credits, to boost the feasibility and sustainability of wind power.

"The technical assistance will explore innovative approaches to reduce costs of wind power equipment, shape financing instruments, encourage public-private partnerships, displace uses of biomass and fossil fuels, and strengthen the capacity of national and local groups to implement and maintain renewable energy and electricity access projects," said Kangbin Zheng, Senior Investment Specialist in ADB's Private Sector Operations Department.

Pilot activities will be carried out in remote mountainous communities, deserts and grasslands, and ocean islands, which will provide models for replication in similar areas. Policy recommendations will be provided to developing member countries on the transfer of low carbon technologies and creation of regulatory and business environments to maximize the use of wind and other renewable energy. The technical assistance will help boost regional cooperation for developing clean energy solutions, and reinforce broader actions designed to mitigate the negative impact of global warming and climate change.

ADB is the executing agency, and its Private Sector Operations, East Asia, and Regional and Sustainable Development departments will work together to carry out all the assistance activities between January 2010 and June 2012.

ADB

ISLAMIC DEVELOPMENT BANK AND ITS CONSTITUENT UNITS

The IDB approves US$ 504 million for New Development Projects

Sunday, 20 December 2009

Jeddah: The Board of Executive Directors of the Islamic Development Bank (IDB), which concluded its 263rd session at IDB Headquarters in Jeddah, approved new finances totaling US$ (504) million for development projects and technical assistance in favor of Benin, Kyrgyz, Sudan, Tajikistan, Tunisia, Lebanon, Nigeria, Uganda, Bangladesh, Iran and Uzbekistan. A Technical Assistance Grant was also approved for the Regional Program for Infrastructure Development in Africa (PIDA).

The Board approvals included Grants and Special Assistance for a number of Muslim communities in nonmember countries i.e., India, Ethiopia and the US, in addition to providing all necessary assistance to Niger and Togo under the HIPC Debt Initiative The Board took note of a T.A. Grant approved by the IDB President for a capacity building project in Jordan.

Details of the Board approvals are as follows:

DEVELOPMENT PROJECTS

- US$ 20 million Loan for Health System Development Support – Benin.
- US$ 17 million Loan financing for the Reconstruction of Bishkek-Torugart Road Project – Kyrgyz Republic.
- US$ 11.4 million Loan + Technical Assistance Grant for Microfinance Support Program – Sudan.
- US$ 4 million Loan (Supplementary Financing) for the Regional Power Transmission Interconnection Project – Tajikistan.
- US$ 12.3 million Istisna'a for the Interconnection of Elhouareb and Sidi Saad Dams for the Irrigation Development Project in Kairouan – Tunisia.
- US$ 24 million Istisna.a (Supplementary Financing) for Establishing and Equipping Faculties of Engineering and Architecture, Lebanese University-Tripoli, Lebanon.
- US$ 43.1 million Installment Sale for the Construction and Equipping of a new 300-bed Specialized Hospital Project in Kaduna State – Nigeria.
- US$ 10 million Line of Financing (Installment Sale / Istisna'a / Leasing) for Uganda Development Bank Limited – Uganda.
- US$ 129.2 million Istisna'a for the Single Point Mooring (SPM) Project – Bangladesh.
- US$ 194.5 million Istisna'a financing for the Qom and Kashan Sewage Project – Iran.
- US$ 35.4 million Istisna'a financing for the Tashkent Sewerage Project – Uzbekistan.
- US$ 1.7 million Grant (Technical Assistance) for the Regional– Program for Infrastructure Development in Africa (PIDA)

GRANTS AND SPECIAL ASSISTANCE PROJECTS FROM WAQF FUND

- US$ 200,000 (from the proceeds of IDB Educational Waqf dedicated for the Muslim community in India) for the Construction & Equipping of a Vocational training Center, Gaya, Bihar State, India.
- US$ 330,000 for the Expansion of Waliso Children Village, Waliso, Ethiopia.
- US$ 390,000 for the Construction of Islamic School & Community Center for Islamic American Society of Connecticut, Waterbury, Connecticut, USA.

OPERATIONS APPROVED BY THE PRESIDENT

The following operation was approved by the President, IDB between the last and current sessions of the Board in exercise of the powers conferred upon him by the Board:
- US$ 300,000 T.A (Grant) for the Capacity Building of the local communities in Aljun and Al-Balqa Governorates – Jordan.

ISDB

ICD to establish Shariah-compliant Investment Company in Tatrastan

Tuesday, 15 December 2009

The Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the Islamic Development Bank (IDB), participated in the 16th World Islamic Banking conference 2009 held on December 7, 2009 at the Gulf Hotel in Bahrain.

ICD decision to participate in the world's largest gathering of Islamic finance leaders is in the line with its vision of promoting the growth of Islamic finance globally and supporting important regional forums where consolidating Bahrain's position as the premium financial hub of the GCC region, said Mr. Khaled Al-Aboodi, ICD's CEO & General Manager of ICD.

During the conference, Al-Aboodi announced the establishment of the first Shariah-compliant Investment Company in Tatrastan.

Al-Aboodi and H.E. Rustam Minnikhanov, Prime Minister of Republic of Tatrastan, co-chaired the meeting in which the decision to establish the investment holding company was agreed upon. "This will go a long way in facilitating trade and investment cooperation and also provide access to business opportunities in Tatrastan," said Al-Aboodi.

Al-Aboodi also said the Tartrastan International Investment Company would invest indirect equity in select sectors, including infrastructure, telecommunication, agriculture, financial, affordable housing, mining and energy, services and manufacturing industries.

The Tatrastan prime minister said: "This meeting takes us a significant step closer towards the establishment of what will certainly prove to be a truly pioneering venture." We have long maintained that this type of partnership is very important for the government particularly due to its efficient contributions to national development, he added.

Present at the meeting were several investors from the Gulf nations and Asia, representatives of Islamic Development Bank, senior officials of ICD and Republic of Tatrastan. During the meeting commitments were announced from investors which close the targeted capital of the company.

Islamic Corporation for the Development of the Private Sector (ICD)

WORLD BANK

World Bank Africa Region VP Makes Case for Community Empowerment and Decentralization

Sunday, 13 December 2009

YAOUNDE: Decentralized or local governments and communities empowered to manage their own affairs tend to participate more in and benefit better from development projects. That was the argument made convincingly Sunday by villagers from two communities in Cameroon's South and Center Provinces: Ngoulemakong and Comivok. The message was directed at someone already won to the cause, World Bank Vice President for the Africa Region Obiageli Ezekwesili, during her four-day visit to Cameroon.

Both at Ngoulemakong and Comivok, villagers insisted on showcasing the benefits they have drawn from being trusted by Cameroon's government and by development partners like the World Bank to handle funding and to design, implement, and monitor the effectiveness of three projects: a community-owned quarry, a community forest and a community market.

According to Ngoulemakong mayor, fifty jobs for youth have already been created by the quarry. "This is one of our most promising job creating projects," the mayor said. "Unfortunately we [have] still to find an investor and have no access to credit to expand the project and increase the workforce onsite to 150."

The quarry's most successful income winner for the moment is granite stone sold to the rich in Cameroon's capital – some 100 km away – and used predominantly for paving sidewalks and driveways. Other products are envisaged should the project raise the capital needed to expand.

The promoters of the quarry dream big. They say they know the day is coming when neighboring municipalities, and perhaps even Cameroon's public works department, will turn to the quarry with orders to mass produce granite stones for the construction of sidewalks in towns and cities.

As part of her visit to the two communities, Ezekwesili also visited a market built through a World Bank-funded Community Driven Development project. Ezekwesili met with sellers including a husband and wife team of farmers, whose earnings from the yams they sell at market help them care for their five children.

Ezekwesili bought $10 worth of Yams from the sellers, Marie Mengue and her husband, and then offered them back to the couple asking that they serve them to their children for dinner.

Ezekwesili explained that a part of the message she brings to Cameroon is encouragement for small holder farming; and a strengthening of faith in the potential of agriculture to lift millions of Cameroonians out of poverty. "You have to grow your own tomatoes right here in the village," Ezekwesili said, "instead of buying them from Yaounde, where they are already expensive, and trying to sell at a profit to already poor farmers in the village." At her next stop in Comivok, Ezekwesili visited one of Cameroon's first community-owned forests, officially recognized in 1996, two years after the community forest law was adopted in the country.

"We are not only interested in ensuring that revenue from timber harvested in this forest promotes our village's development, we are one of the rare communities anywhere in Cameroon committed to and effectively taking action to do reforestation," the village's project leader told Ezekwesili, as he pointed out rows of young saplings planted by the community as part of their contribution to fighting climate change.

The hard-to-earn and long-awaited gains from managing one's own community forest may not yet be palpable to the household, village women told Ezekwesili, but the belief is widely shared here that such benefits are to come. Significantly, revenue from transforming timber into planks in the village is 12 times higher than it used to be when timber was hauled away as logs for export.

WB

Egypt is weathering the Global Economic Crisis with Good Results

World Bank Managing Director Reaffirms Support for Egypt

Monday, 14 December 2009

CAIRO**:** The World Bank Managing Director Juan Jose Daboub paid an official visit to Egypt to reaffirm the partnership between the Bank and Egypt, and discuss with government officials and key stakeholders the challenges and opportunities of the current crisis. Dr. Daboub noted the importance of the government reform program and policies that helped mitigate the effects of the global economic crisis and limit those of the recent Dubai crisis. "The country appears to be in strong position to weather the worst impacts of the economic crisis. The World Bank Group is committed to continue to support Egypt in further consolidating the development and reform program and initiating innovative approaches in critical sectors," said Dr. Daboub. "We are eager to continue to work with a demanding middle-income partner like Egypt and are prepared to provide technical as well as financial support and share experiences from other parts of the world," he added.

This visit was also an occasion to discuss Egypt's support for the Arab World Initiative which seeks to strengthen the Region's integration efforts. "As a knowledge leader and a top reformer, Egypt has a unique convening capacity that can help promote regional economic integration to set the Arab world on a higher and sustainable growth path," Dr Daboub noted.

Dr. Daboub met with senior government officials including Egypt's Prime Minister Dr. Ahmed Nazif and members of his cabinet as well as representatives of private sector and think tanks."We are working closely with the government to support the country's priorities for the period ahead," said Dr. Daboub. "Egypt experienced high economic growth in FY06-FY08 and the country has been the largest recipient of Foreign Direct Investments in the Middle East and North Africa (MENA) region," he further added.During his visit to the Bank-financed project El Kureimat Solar Thermal Power Plant, which supports the construction of an innovative Integrated Solar Combined Cycle power plant with an expected capacity of about 150MW, Dr. Daboub commended the government's energy strategy and its aspirations to become a regional leader in renewable energy generation. "This project is a positive step towards increasing the overall efficiency of the power matrix and will indeed contribute to the reduction of greenhouse gas emissions," Dr. Daboub added.

The Managing Director was accompanied by Ms. Shamshad Akhtar, Vice President Middle East and North Africa Region, World Bank, and Mr. A. David Craig, World Bank Country Director for Egypt, Yemen and Djibouti. He was also joined by Mr. Ayman Alkaffas, Alternate Executive Director for Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, Yemen.

Over the past years, the World Bank Program in Egypt has expanded and currently supports the infrastructure, financial, water and sanitation, education, health, rural development and environment sectors.

WB

World Bank's Middle East and North Africa Vice President visits Tunisia

Monday, 14 December 2009

Ms. Shamshad Akhtar visited Tunisia from November 30th to December 2nd 2009. During her visit, she met with the President of the Tunisian Republic, H.E. Mr. Zinelabdine Ben Ali, the Prime Minister, Mr. Mohammed Ghannouchi, the Minister of

Development and International Cooperation, Mr. Mohamed Nouri Jouini as well as other Ministers.

Shamshad also met with the President of the African Development Bank (AfDB), Mr. Donald Kaberuka to discuss the collaboration between the two institutions and to thank him and the AfDB to continue to house the Bank's office within their premises.

She also met with members of the private sector which enabled a rich and candid discussion regarding the issues related to private sector development and the employment challenge. Finally, she carried out field visits to a textile export firm and the El Ghazela Techno Park, both of which have benefited from World Bank support.

A new World Bank office

Another point of her trip was the inauguration of the new World Bank office in Tunis. This was the first chance for Shamshad to inaugurate an office in the region and it proved to be a unique experience because it was a joint event with the government, the Executive Director's office and the World Bank.

The office will continue to be housed in the African Development Bank, in its newly-constructed modern building in Tunis' business center, thus reinforcing further the relationship between the two multilateral development banks.

She indicated at the end of her stay: *"I was delighted with my first visit in Tunisia which provided a great opportunity to renew and reaffirm the partnership between the Bank and the Government"*.

Knowledge Conference

Another main part of Shamshad's visit was to participate in the International conference "Building Knowledge economies for job creation, increased competitiveness, and balanced development" held in Tunis and jointly organized by the Tunisian government, ISESCO and in collaboration with the World Bank. The conference was opened by President Ben Ali of Tunisia and the Director General of ISESCO and by Shamshad who delivered a presentation on the significance of the knowledge economy and its application in MENA countries. Shamshad indicated that *"Knowledge economy is a way of fostering sustainable economic growth and promoting welfare of people. A lot has been achieved in the region in terms access to education and ICT infrastructures and services but progress can still be made in private sector development."*

This event was attended by the Tunisian Prime Minister, Ministers and high level officials and academics from across the Arab world. It brought to the forefront the approaches and methodologies adopted by a number of economies to transform into a knowledge economy and how this experience can be applied to the Arab World. In particular, she linked the Knowledge Economy conference to some of the goals of the Arab World Initiative: "The World Bank is keenly supporting this forum as well as other endeavors of this type to develop and promote better understanding of the advantages and merits of a knowledge economy and how to nurture and foster cross-country collaboration to build knowledge economies."

WB

Vietnam Development Report (VDR) 2010: Modern Institutions

Institutions are not buildings or organizations; they are the rules by which citizens, firms, and the state interact. This Vietnam Development Report focuses on devolution and accountability, two aspects of modern institutions that are the essence of Vietnam's experience in the past two decades.

The Doi Moi reforms are widely credited with improving incentives for production and growth. Devolving responsibility to decentralized actors, to farmers and firms, and allowing them to sink or swim yielded strong results in a way that hierarchical controls could not. Yet, Vietnam's experience of the past two decades has also exhibited devolution in other respects: to provincial and lower levels of government, to administrative and service delivery units, to the courts and to elected bodies, and to the media and civil society.

Devolving authority and removing hierarchical controls may have benefits, but also poses a fundamental problem: how can accountability be assured after devolution? The fundamental tension between autonomy and accountability is not self-correcting. Accountability mechanisms will not automatically evolve to mediate these new relationships. Rather they need to be consciously created. In fact, many new forms of accountability are being introduced, but they are not always optimal, and important gaps remain.

In surveying the breadth of Vietnam's institutional reforms and the experience of the past two decades, this Vietnam Development Report highlights several repeated themes.

- The extent of devolution has been substantial, both geographically and functionally.
- New systems of accountability are being put in place, but often with a lag and not always of the best form.
- In the devolved system, conflicts of interest are becoming more evident.
- Information plays a central role in any system of accountability.
- The most successful reforms had a constituency that was empowered to push for change

- People are becoming more demanding—as Vietnam endeavors to develop into a modern middle-income country, the pressure for better services, and more voice and participation will only get stronger.

The first decade after Doi Moi was the era of devolution of economic power, from central planners to farmers and enterprises. The second decade saw significant devolution of powers and responsibilities to the provinces, and stronger accountability for communes. More recently, functional devolution to service delivery units has improved results even while raising new challenges in aligning accountability with incentives. As Vietnam approaches middle income status, the question for reformers is how to shape the devolving state and strengthen accountability in the next decade.

This Vietnam Development Report, like its predecessors, draws on the contributions of many development partners. The VDR series provides a vehicle to communicate not only with government and the broader community, but also among donors that contribute to its preparation. The VDR series aims to influence the reform agenda, build consensus among thinkers and the public at large, harmonize upstream among donors, and position those involved as substantive contributors of knowledge and expertise. The present VDR, focused on Modern Institutions, represents a joint report of the donor community on progress and prospects for Vietnam's development and aspirations for a devolved, yet accountable, system.

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New Initiative to Scale Up Renewable Energy in Low-Income Countries Launched in Copenhagen

Monday, 14 December 2009

Copenhagen: A unique program to support the scaling-up of renewable energy in low-income countries was launched today in Copenhagen. The new program, Scaling up Renewable Energy in Low Income Countries (SREP), became effective with the announcement of financial support of $50 million by USA Energy Secretary Steven Chu. Prior to Copenhagen, pledged contributions to the SREP (in US$ equivalent) from the UK (82.4), Netherlands (81.8), Norway (26.5) and Switzerland (20) totaled $210.7 million. A target of $250 million minimum was needed before steps to operationalize the fund could be initiated.

SREP, a targeted program, under the Multi-lateral Development Banks' Climate Investment Funds (CIF), aims to demonstrate in a small number of low income countries how to initiate energy sector trans formation by helping them take renewable en ergy solutions to a national programmatic level.

"We are all aware of the energy challenge facing developing countries, where more than 1.5 billion people live without electricity and other basic energy services. But the equally important challenge of climate change will require a global shift to low carbon sources of energy," said Katherine Sierra, World Bank Vice President for Sustainable Development.

"Developing countries, including low income countries, will need to consider how they respond to future risks and opportunities, with renewable energy being one of many solutions to address climate resilient development. SREP will pilot in low income countries how to initiate a process leading towards transformational change to low carbon energy pathways by exploiting their renewable energy potential in place of fossil-based energy supply and inefficient use of biomass," said Mrs. Sierra.

Under the CIF, SREP will generate lessons and experience to help demonstrate how scaled-up financing can support low car bon development in low income coun tries. It is complementary to the CIF Clean Technology Fund (CTF), which fo cuses on middle income countries.

The Climate Investment Funds are a unique pair of financing instruments designed to pilot what can be achieved to initiate transformational change towards low-carbon and climate-resilient development through scaled-up financing channeled through the Multilateral Development Banks. The two funds are the Clean Technology Fund (CTF), financing scaled up demonstration, deployment and transfer of low-carbon technologies for significant greenhouse gas reductions within country investment plans; and the Strategic Climate Fund (SCF), financing targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential like SREP

Agreed in 2008, donor countries have pledged over US$6 billion to the CIF. The CTF and SCF trust fund committees have equal representation from developed and developing countries alike. Recognising the imperative of climate change deliberations underway in the UN Framework Convention on Climate Change, the CIF were designed as an interim measure to strengthen the global knowledge base for low-carbon and climate-resilient growth solutions.

The CIF, implemented jointly by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Finance Corporation, and World Bank, is comprised of the CTF to provide scaled up financing for the demonstration, deployment and transfer of low carbon technologies that have a significant potential for long-term greenhouse gas emissions savings; and the SCF, a suite of three targeted programs to pilot new approaches to climate action, each with potential for scaled up, transformational action: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP) and the Program for Scaling Up Renewable Energy in Low Income Countries (SREP).

WB

WB: Financial Support is Key for Latin America's Low-Carbon Growth Plans

Monday, 14 December 2009

WASHINGTON, DC: Increased environmental awareness spurred by rising global temperatures has placed Latin America at the forefront of low-carbon growth, say World Bank experts. But the success of the region’s initiatives depends largely on decisions taken at the *Copenhagen Climate Summit* – and beyond – regarding emission limits and financing, according to the experts.

“There’s a lot at stake for Latin America in Copenhagen. If considerable progress is made, we would have gained ground for the adoption of a binding agreement at the next summit in Mexico 2010”, says Laura Tuck, Sustainable Development Director for Latin America and the Caribbean. “I’m convinced that such an outcome would be a great step forward for the world and a strong indication of Latin America’s leadership”, says Tuck.

Intent on avoiding further environmental deterioration Latin Americans nations –such as Mexico and Brazil- have taken the lead in the adoption of measures to tackle global warming, such as national low-carbon growth strategies, which represent a sea change from just two years ago, according to World Bank climate expert John Nash.

Looking forward, however, a lot will hinge on the agreement – binding or political – coming out of the United Nations' Copenhagen summit, especially greenhouse gas (GHG) emission limits and financing mechanisms to adapt to and mitigate the effects of climate change. Climate change financing for developing countries carries a price tag of US$16 billion-US$19 billion annually, according to World Bank estimates.

Representatives from 192 countries attending the UN Conference are looking for consensus to set a ceiling of 1.5-2C degrees to temperature rises and to stabilize the concentration of greenhouse gases in the 350-450 parts per million (ppm) range, as opposed to the current 387 ppm average. Developing countries favor lower limits in that bracket, while developed countries lean toward higher limits.

This shouldn't come as a surprise: Latin America is already reeling from the effects of global warming, according to the World Bank flagship study "*Low carbon, high growth: Latin American responses to climate change".*

Some of the most serious climate change impacts include:

- Temperature: A 1 degree Celsius, or 1.8 degree Fahrenheit, increase during the 20th Century.
- Glaciers melting: Andean glaciers are receding, impacting water supplies and 77 million people directly dependent on them.
- Amazon rainforest: Loss of up to 80% of Amazon forest cover, caused by a 2-3 degree increase in temperature.
- Marine flora: Coral reef bleaching, affecting some 65% of fish species in the region.
- Hurricanes: Increased strength and frequency of storms in the Atlantic basin could cause 2% loss in Gross Domestic Product (GDP).

According to Walter Vergara, World Bank environmental specialist for Latin America, it is the key that any agreement reached in Copenhagen drastically restricts emission levels in developed countries, like China and the US, who are jointly responsible for 45% of CO2 production in the world.

He added that the Copenhagen summit should also work out an arrangement for the transfer of financial resources and scientific and technological knowledge to tackle adaptation problems and to facilitate enactment of public policies in developing countries.

The World Bank has supported Latin America's climate change projects with financial commitments totaling US$ 3.7 billion in 2008-2009. However, a lot more is needed, both to intensify adaptation efforts as well as to finance the acquisition of clean technologies that limit carbon emissions.

Mexico's Green Strategy

Mexico announced early this year a Special Climate Change Program (*Programa Especial de Cambio Climático, PECC*) that sets a low-carbon development scenario for Mexico, identifying priorities and financing sources, both domestic and international, in order to meet its goal of reducing gas emissions by 50% before 2050. The plan will get a US$500 million boost from a new Clean Technology Fund supported by eight governments, managed by the World Bank, and administered by the World Bank Group and other multilateral development banks.

Around 60% of Mexico's emissions stem from energy consumption, especially industrial, commercial and residential transportation, while 20% are the result of deforestation. This particular scenario led to several concrete recommendations included in the World Bank *Low carbon development for Mexico* published in October.

Included among the suggestions, which can serve as the basis for other national programs, are:

- Energy: Satisfying current demand would increase total CO2 emissions by 230%. But the adoption of green technologies – such as wind, biomass, geothermic – would significantly reduce that impact. Several regulatory and policy reforms would be needed to expand the use of renewable energy, among them the use of wind power, which is currently facing bureaucratic obstacles.
- Oil and gas: The study points out that there is a great potential to reduce carbon emissions in this sector, without impacting Pemex's income. Some of these measures include: reducing gas leaks during distribution, increasing the efficiency of Pemex refineries, emphasizing the potential of co-generation in Pemex's six refineries and petrochemical plants.
- Transportation: This is the fastest growing sector in terms of energy consumption and carbon generation – 90% of the total. Several initiatives will be needed in order to stop this tendency, among them: optimizing transportation routes, creating a rapid bus system, increasing vehicle energy efficiency standards.
- Agriculture: This is one of the main areas regarding emission reduction. Initiatives here would focus on reforestation, commercial plantations, and measures to reduce emissions derived from deforestation. Food production would not be impacted.

In the meantime, Brazil is also making huge efforts to protect its great green "lung of the world", including a fund to fight deforestation –which is responsible for 70% of the country's GHG emissions. The World Bank supports these initiatives with a wide range of projects and financial assistance that includes a *Programmatic Development Policy Loan for Sustainable Environmental Management* worth US$ 1.3 billion, approved in early 2009.

The Amazon has lost an average of 19,000 km2 (7,336 square miles) in the last 30 years, due to a combination of economic forces, deficient agricultural practices, diluted property rights and scarce regulation - an effect Vergara calls the “salinization of the Amazon basin”, with catastrophic consequences for water and carbon cycles. However, measures to counter deforestation are showing results: in November, the government announced that Amazon deforestation had reached the lowest level since monitoring began 21 years ago, while forest destruction had slowed down at a rate of 45% compared to the previous year.

Regional Good Practices

Latin America is responsible for only 6% of global greenhouse gas emissions, which becomes 13% if deforestation and agriculture are taken into account, said Laura Tuck, World Bank Sustainable Development Director for Latin America and the Caribbean.

Examples of good practices in the fight against climate change can be seen almost everywhere in the region. Costa Rica, for example, is about to become the first carbon neutral country in the world. It’s the global pioneer of a system that pays land owners to conserve forests, an initiative that is financed with gasoline taxes. Meanwhile, renewable energy programs in rural areas of Argentina promote the supply of low cost electricity and make a positive contribution to productivity and employment. And Chile has just expanded its green programs by purchasing carbon bonds to finance several hydroelectric power plants, says World Bank energy expert Lucia Spinelli.

Taken together, these initiatives put the region at the forefront in the fight against the impacts of climate change, experts say. Also, Latin America’s energy sector generates 40% less CO_2 emissions per unit of energy (carbon intensity) than the rest of the world. These emissions are 74% lower than China’s or India’s and 50% lower than the average for developing countries.

Even though Latin America’s “carbon footprint” in the global context is quite modest – 5% to 6% of total emissions, according to Bank estimates –, scientist estimate indicators will change in the next 25 years, as transportation and industrial sectors expand.

“That’s why we need to implement measures now in order to increase the use of renewable energy, which would carve us a place among regions pioneering low carbon development”, says World Bank Director of Sustainable Development Laura Tuck.

WB

James Adams, Vice President, East Asia and Pacific Region, World Bank, Keynote Address to the AAOIFI – World Bank Annual Conference on Islamic Banking and Finance, Bahrain, December 14, 2009

Before I get started, I want to first congratulate the class of graduates from the Certified Shariah Advisor and Auditor and Certified Islamic Professional Accountant programs. You should all be proud of this achievement. Accounting is the fundamental building block of the financial system, which is why such programs as the CSAA and CIPA are so important, and I have no doubt that all of you have bright career futures ahead of you.

The World Bank recognizes Islamic finance as an important segment in the financial sector. The large attendance at this conference is a testament to the broad agreement to this view and recognition that Islamic finance is positioned for continued growth.

Many observers have commented that the prospects for Islamic finance are even greater now than before in the wake of the current financial crisis. The reasons given are that Islamic financial institutions do not rely on major leverage, they do not invest in complex structured financial products or derivatives, and thus far, they have not developed complicated corporate forms – all of which played a role in the downfall of many large financial institutions worldwide.

Shariah structures have been viewed by many as inherently safer given the fundamental requirement that finance should be linked to the assets being financed. In addition, Islamic banks have the ability to pass through negative shocks to their assets along to their depositors, which are de facto investors in the bank. This also has the effect of giving more incentives to depositors to ensure that the banks are well-managed and this may be all the more true because in most cases, there is no deposit insurance.

However, Islamic financial institutions and products are exposed to a range of risks, some of which are coming to the fore now. I would like to take this opportunity to raise some questions to help focus our minds on the agenda of this conference. Let me concentrate on four areas – liquidity management, corporate governance, resolution of failed institutions, and access to finance.

I'll start with an area that cuts across many sessions of the conference – liquidity management. We know that one of the key triggers of the collapse of many major financial institutions during this global crisis was the freezing of liquidity in the major conventional financial markets.

But, we know less about how the Islamic financial markets would react to a similar liquidity event. The Islamic money markets are evolving, but this seems to be an area of critical importance given the rapid growth in the industry. The development of Islamic money market and Islamic Government financing instruments will be a first order priority in the coming years.

The second area of importance is that of corporate governance. The governance practices of Islamic financial institutions have evolved significantly and new standards on corporate governance were adopted last month by the Islamic Financial Services Board. However, a number of specific governance challenges are still faced by Islamic financial institutions. One "big picture" issue on corporate governance is a lack of cross-border harmonization of corporate governance standards, which we at the World Bank are beginning to engage on. Another issue includes the role, structure, composition, independence, and functioning of the Shariah board and its relationship with the board of directors and other control structures. Also, there is an issue related to the fact that investment account holders essentially bear the same risk that shareholders do, but do not have the same representation. Therefore, it is becoming essential to get a better understanding of the risks related to governance of Islamic financial institutions today and how corporate governance standards can be strengthened given the unique features of the Islamic industry.

The third area that is increasingly important is preparation for bank failures and resolution in the Islamic finance industry. Islamic banks are exposed to a variety of risks if problems arise. One issue is that the lack of standardization of many Islamic financial products makes the process of managing the workout of problem assets and institutions quite complex. In addition, the uncertainty on the claims on the underlying assets and differences in interpretation across jurisdictions can potentially complicate resolution procedures. Thankfully, there have been very few failures of Islamic banks to date. But, there is a need to better understand the prospects for resolution if and when there are failed institutions in the Islamic finance industry. This understanding should also include how the regulatory authorities and the court systems will respond.

The final issue I will touch on is access to finance. Although 44 percent of all conventional microfinance clients reside in Muslim countries, Islamic microfinance loans represent a very small fraction of the entire microfinance sector – less than 3 percent. There are some positive examples, including Indonesia, where Islamic banks have rapidly expanded access to micro-enterprises while maintaining relatively strong financial performance. In fact, lending by the rural Islamic banks in Indonesia represents over 62 percent of the total microfinance loans worldwide. So, the potential is clearly there, but it is not yet being fully realized. This is a central development issue for us at the World Bank and we are now trying to understand why access to finance through Islamic financial institutions been relatively limited. This may be due to a lack of awareness by potential customers, regulations that may hinder the development of small-scale finance products, a lack of cost efficient structures, and other reasons. We are now doing a pilot study in Indonesia to find some answers from this experience.

I do not have the solutions to these four issues. But, I expect that all of you will address these challenges over the next two days here in Bahrain. And, the World Bank will be an active partner in this pursuit.

Broadly speaking, the objective for the World Bank's engagement in Islamic finance is to supplement our efforts in promoting overall financial sector stability and improving access to finance. We will not take the lead in this area, but instead we aim to work closely with many of you – the experts in the various technical areas of Islamic finance. We hope to make future contributions in the areas of corporate governance, accounting, insolvency, financial stability, liquidity management, and access to finance issues – many of the topics of this conference.

We look forward to working with you on these important issues and I know that this will be a very productive two days. I am looking forward to the active discussions and debates and I thank you for your time and attention.

WB

Governance, Integrity and Transparency: An Important Development Agenda for MENA

Remarks by Shamshad Akhtar Vice President, Midldle East and North Africa Region, The World Bank Fourth Cairo Investment Forum Cairo, December 14, 2009

Many thanks for the opportunity to discuss a topic that is vital for facilitating private sector led growth and development throughout the MENA region: the cause of good governance, integrity, transparency and anticorruption.

There are many different ways in which weak governance can impede development. It compromises the delivery of public goods and services to the citizens, particularly to the poor and the vulnerable. It complicates the task of regulating markets and creating an enabling environment for private-sector led growth. It undermines meritocracy in the public sector, as well as a government's ability to allocate resources efficiently to achieve its desired ends. Over the past fifteen years, analyses at both the macro and micro levels have demonstrated that countries where governance is weak see slower growth, worse delivery of services, and lower quality of life.

At the macro level, Paulo Mauro estimated that if Bangladesh could raise its governance to the quality of Uruguay, investment rates would rise five percent and growth by over half a percent per year. At the micro level, Ritva Reinikka, who is currently Director of our Public Management unit, found that as much as 80 percent of non-wage funding for education in Uganda was being diverted before it reached schools –with a significant negative impact on the quality of education. Similar findings have emerged in numerous studies across sectors and countries around the world. And in this region, the World Bank's MENA Flagship report for 2003 focused on governance and highlighted some of the issues that the region faces in terms of improving accountability and inclusiveness for development outcomes. Using measures of overall governance quality created for the report, the MENA region came considerably behind comparator regions. The report estimated that this 'governance gap' cost the region as much as one percent per year in per capita GDP growth.

This year's MENA flagship on the institutional environment for private sector-led growth illustrated the particular governance challenges facing entrepreneurs. Not least, the report discussed how old business elites benefited from favorable treatment from regulators government officials, stifling new entrants and competition. The median number of competitors for a firm in MENA is less than one fifth of the number in Europe and Central Asia, for example. Yet there are reasons for optimism. Throughout the MENA region, there has been considerable movement on the governance and fiscal probity agenda over the past 4-5 years, with more changes currently underway.

You have had the opportunity to listen to our colleagues of the Integrity team who plays an important role the Bank's engagement on issues of transparency, integrity and fiduciary probity. In performing this task, it is important that they forge close working relationships with those who are combating mismanagement and corruption throughout the region, including many of the agencies represented at this conference.

The challenge of weak governance is first and foremost an issue of development, and that means improving governance is part of the core business of the World Bank as a whole. As such, it is one of key responsibilities of operational units, which are in charge of the preparation and supervision of Bank-financed projects and programs.

The World Bank has been rapidly expanding efforts to assist our clients along the three dimensions of prevention, prosecution and public awareness.

Prevention is at the core of what we do, including much of our traditional public sector work on topics such as civil service reform and public financial management. The reform of core government systems and procedures can be slow and tedious work, but it is essential to tackle systemic bottlenecks that can burden the entire public sector. Much of this work is targeted towards attaining greater efficiency and productivity in public expenditure, but it can also pay dividends in terms of enhanced fiscal probity. We also work extensively on institutional development with sectoral ministries, which can both improve the quality of service delivery and reduce opportunities for corrupt or illicit behavior. Examples include:

- Work with the Egyptian Government to develop one stop shops that streamline investment procedures, therefore reducing opportunities for corruption;
- Improving the internal and external audit function in Yemen; and
- Conducting a public expenditure tracking survey to monitor resource flows in the health sector in Egypt, and Morocco.

Turning to the topic of prosecution, this is a relatively new area for us. Over the past five years, we have started working with countries in the region to review their obligations in light of the United Nations Convention Against Corruption (UNCAC) Treaty, which 15 MENA countries have signed and 12 have ratified. We have provided technical assistance on the legal framework for strengthening integrity and combating corruption, including income and asset disclosure and conflict of interest legislation; civil service codes of conduct; and whistleblower protection. We have helped clients examine key institutional questions, such as whether they should establish an ombudsman office or independent anticorruption agency. We have worked with new agencies, such as Yemen's Supreme National Authority to Combat Corruption (SNACC), to help establish their operations. To support this, we have conducted comparative analytic work across the region on these issues, and Robert Beschel's presentation discussed some of this work earlier.

Finally, we are supporting work on public awareness, including strengthening demand side governance and the role of civil society. We have been active in supporting public opinion surveys and polling data in a variety of countries, such as Egypt, Kuwait, West Bank & Gaza and Yemen, to better understand both public perceptions and actual experience with governance. To enhance transparency, we are working on government disclosure issues and freedom of information legislation in several countries, including Egypt, Kuwait and Yemen. We are also increasingly working with civil society, including a number of local Transparency International chapters as well as groups such as Global Parliamentarians Against Corruption.

Beyond our strong commitment to issues of good governance and improved public sector management as a key developmental objective in MENA, we also have been expanding our efforts to ensure that our projects adhere to the highest standards of financial probity. For this purpose, we have put in place one of the most stringent fiduciary safeguards system, and our procurement and financial management colleagues have long labored to ensure the integrity and effectiveness of our internal and external controls and procurement regulations. We have used governance scale-up resources to conduct a number of additional independent procurement reviews and to ramp up assessments of the accounting sector in selected countries. We are also moving to incorporate a more risk-based approach to project design and supervision. In performing all of these tasks, we are striving to balance the importance of achieving greater reliance upon country systems with the goal of ensuring that all of our project lending goes for the purposes intended.

Although the governance agenda has moved rapidly over the past decade, and quite a bit has been accomplished, we all have a long way to go in addressing this agenda. I am sure that this conference will mark another important step along this journey. We look forward to using this conference to deepen our relationships with existing clients and explore opportunities for collaborating with new ones.

WB

Chinese Demand Vital for World Economy

Justin Yifu Lin, Senior Vice President & Chief Economist, The World Bank Group

Monday, 14 December 2009

The world economy seems to be recovering from crisis, but only slowly. Should countries continue to follow an active stimulus policy? Will the recent Dubai debt crisis stop recovery in its tracks? People's Daily (PD) talked to Justin Yifu Lin (Lin), World Bank chief economist and senior vice president, about the World Bank's predictions and recommendations for the next year.

PD: What were the characteristics of world economic development in 2009? How would you comment on the economic growth of China and other emerging market economies?

Lin**:** In 2009, global GDP growth was negative and only began recovering in the second half of the year.

The World Bank's projections will be updated in mid-January, with the release of Global Economic Prospects 2010: Crisis, Finance and Growth in Developing Countries. What we are expecting for the latter part of 2009 is a weak recovery driven by fiscal stimulus and restocking of inventory. However, this is likely to slow as the inventory cycle wanes, and as spending by individuals and lending by the banking sector in most parts of the world remains subdued.

Though China continues to fare better than most countries and looks on track to meet the target of 8 percent GDP growth this year on the back of its stimulus program, falling exports amid the global recession have been a major drag on growth. Nonetheless, real GDP growth rose to 8.9 percent year-on-year in the third quarter, on the back of the country's ambitious stimulus program. For developing countries as a whole, GDP growth for 2009 is expected to be barely in positive territory. And, when India and China are excluded, growth for the developing world will likely be negative this calendar year.

The crisis has affected developing countries first and foremost through a sharp slowdown in private capital inflows, a widespread lack of confidence that reduced investment demand, falling commodity prices and a decline in remittances as a result of rising unemployment in developed countries.

Economies in Europe and Central Asia were hit hardest by the crisis this year, due to their deep financial integration with Western Europe, while growth in Asia has demonstrated some resilience because of the region's sound macro situation before the crisis and ability to implement counter-cyclical fiscal stimulus.

PD: What are the factors impeding a strong global recovery?

Lin**:** Our preliminary analysis shows continuing excess capacity will persist in the medium term with the global output gap reaching about 6.5 percent of potential output in 2010 and probably not falling below 2 percent until 2014. With excess capacity, a strong recovery is unlikely because private demand for investment and consumption is likely to be held back for some time by limited investment opportunities and rising unemployment. Private demand is also dampened by constrained credit availability due to de-leveraging in financial institutions and because households want to rebuild balance sheets.

PD: How do you view the negative impact of trade protectionism on world economy and trade?

Lin: Protectionism is a serious concern as we start recovering from a very dramatic contraction in world trade. However, World Bank research reveals we are not seeing the 1930s style protectionism. Indeed, we are seeing signs that the global trading system is working well to prevent unreasonable trade retaliation. This year more domestic industries in several countries around the world have shown up at their governments' doorstep to request new trade barriers.

The 2009 year-to-date industry requests are 30 percent higher than 2008, which itself was 36 percent higher than in 2007. Yet countries are taking recourse to push back against the imposition of unfair trade barriers. Take, for example, China's two recent decisions to use the WTO to formally question new trade barriers imposed on its exporters during the crisis.

China initiated the first case in July to confront new antidumping tariffs on its exports of steel fasteners, and it started the second case in September in response to the now infamous "China-safeguard" on its exports of tires. China resorting to the WTO is encouraging, since our trading system is based on self-enforcement. Exporters and their government representatives must monitor their own trading interests to keep markets open. And sometimes self-enforcement means having to self-prosecute formal disputes in Geneva.

Once all the data are in, it may show that the staggering increase in industry requests for new trade barriers in 2008 and 2009 has not resulted and will not necessarily result in the imposition of actual trade barriers in 2009 and 2010. To get there, it may take an increase in resorting to the WTO to help convince governments to treat the rules of the trading system more seriously. I also think that concluding the Doha round of multilateral trade negotiations would restrain protectionism and help create greater security of market access for developing countries.

PD**:** The recent Dubai debt crisis has worried many. Do you think this may lead to a worsening of the impact of the financial crisis and thus affect the global recovery process?

Lin: I do not expect the effects from the Dubai World crisis to be very far-reaching, in part because of quick measures in Dubai to resolve the problems. Efforts by the central bank of the UAE to shore up the liquidity of banks have also been reassuring. In terms of global impact, while international banks appear not to have been too much affected, factors such as perceptions of risk in the Gulf Cooperation Council countries and quasi-sovereign debt markets and the unloading of some Dubai World assets (especially commercial property) merit watching. The handling of Dubai World's debt restructuring will also be important.

PD: In the current situation, should countries continue to follow an active stimulus policy? In your view, when would be the right time to start implementing an exit strategy?

Lin: Planning for an exit strategy is required, as prolonged fiscal stimulus efforts by the government will build up public debt. However, with the persistence of excess capacity globally, it is important for those countries with adequate fiscal space as well as worries about weak demand to maintain their stimulus programs. The discussion of exit strategies arises from worries over the impact of public debt on future inflation.

Investments in "green growth" and bottleneck-releasing infrastructure projects will boost short-term demand and enhance the potential for long-term growth. Such projects, whether expansion of renewable energy investments or upgrading public transit systems, will pay for themselves in the medium-term and will not necessarily be inflationary.

Countries with fiscal space may want to consider continuing such public investments. The World Bank Group and other international financial institutions should also increase their support to those types of projects in fiscally constrained developing countries.

PD: What are the implications of the G8 to the G20 transition?

Lin: The decision to shift the main focus for economic decision-making from the G8 to the G20, as agreed in Pittsburgh, reflects recognition that confronting global issues requires more than simply a meeting of the club of "advanced" countries. When the G8 and the G20 meet in Canada the coming summer, it will be an important opportunity to discuss their respective roles and how to reconcile them.

Korea, as chair, along with Canada, which heads the G8, will play an instrumental role in helping shape the institutions and responsibilities that will determine how the G20 operates and to what end. While there are many crucial issues on the agenda, perhaps the most important priorities will be completing the work of dealing with the crisis through fiscal stimulus packages and exit strategies, ensuring the completion of regulatory reforms, and promoting sustainable and inclusive development.

PD: What is the global economic outlook in 2010? What challenges will we face?

Lin**:** While the world economy will continue the recovery in 2010, most of the world will still be characterized by substantial excess capacity. A key policy challenge will be careful management of exit from counter-cyclical policy stimulus. Recovery will also depend on the management of global imbalances. In the aftermath of the crisis, current account imbalances have narrowed, but this in part reflects temporary, cyclical factors such as sharp declines in world trade and in the price of oil.

The durability of the rebalancing will depend importantly on the orderly unwinding of the fiscal and monetary stimulus in the US, on the one hand, and the extent to which post-crisis stimulus and reform measures help boost domestic demand in China and other major economies in East Asia, on the other.

In sum, slower world economic growth and scarcer and costlier capital will mean a more difficult environment for developing countries. This will put a premium on effective investments in green economy as well as critical infrastructure and human development programs. Official financing, including from multilateral institutions such as the World Bank Group, will have a key role to play in helping to meet the financing gaps and improve development effectiveness. It will be important to ensure that the international financial institutions have adequate resources and instruments to play their part.

WB

World Bank Hosts Consultation on South Africa Safeguards Review

Tuesday, 15 December 2009

PRETORIA**:** A stakeholder consultation was held in Pretoria on December 9 and 10, 2009 to discuss the findings of the Safeguard Diagnostic Review (SDR, click here for paper), a World Bank report assessing South Africa's safeguard policies, laws and regulations as would apply to the Eskom Investment Support Project (EISP). Over 45 participants (list attached) attended the consultation over a two-day period and offered their insights about ways in which the safeguard regime could be strengthened, including during project implementation.

"South Africa has some of the most well-developed environmental and social safeguard systems in the world," said Stephen Lintner, World Bank Senior Technical Advisor, addressing the participants. "The purpose of the consultation was to solicit views and inputs from a broad spectrum of stakeholders for improving the safeguard review and ultimately contributing to the sustainability of the project's development outcomes."

The consultation focused on three key areas of the draft SDR paper: analysis of equivalence, acceptability assessment, and gap-filling measures identified to strengthen the safeguard regime. Because South Africa has well-developed environmental and social safeguard systems, the World Bank has selected it as one of 15 countries worldwide for the use of a country's own environmental and social safeguard systems in implementing Bank-supported projects.

In closing remarks, Ruth Kagia, World Bank Country Director for South Africa, thanked participants for taking the time to attend the consultations and for sharing their insights. A summary of the consultation is being drafted and will be posted online and shared with participants. Participants were encouraged to send their written comments by January 11, 2010 so that the SDR paper can be finalized later in January. Several participants noted the usefulness of the consultation and appreciated the opportunity to interact with the World Bank team.

WB

World Bank Group President to Attend Copenhagen Climate Conference December 15-17

Tuesday, 15 December 2009

WASHINGTON: With developing countries bearing the brunt of climate change, World Bank Group President Robert B. Zoellick will travel to Copenhagen to attend the Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change (UNFCCC). "There cannot be an effective global response to climate change without the involvement of developing countries", said Zoellick. "At the same time, many developing countries will be hit first and hardest by climate change. I look forward to listening to stakeholders in Copenhagen and to discussing how the Bank Group can best leverage resources and harness technology to help developing countries and the world's poor to weather climate change and to develop low carbon growth strategies."

The Bank Group has joined other multilateral and bilateral partners in uniting to advance the climate change agenda under the leadership of the U.N., including a recent call by Zoellick, along with other heads of multilateral development banks , for a comprehensive agreement to emerge in Copenhagen.

While in Copenhagen, Zoellick will meet with government leaders, national legislators, and others attending the conference to share experiences and lessons learned on effective climate action. He will also take part in an event to explore how the international community can provide greater support to REDD (Reducing Emissions from Deforestation and Land Degradation) initiatives, and attend a seminar of world mayors and other urban leaders.

The Bank Group supports the UNFCCC process even though it does not participate in the negotiations. The Bank Group has worked closely on global climate change with donor and developing nations, using its financing depth and experience to help provide developing countries with some of the financial resources they need. This has taken place through regular Bank Group investments, as well as new or enlarged initiatives such as the Climate Investment Funds ($6.3 billion pledged with $3.2 billion in investment plans already endorsed to support more than $30.5 billion in clean technology projects) and carbon finance funds (the World Bank manages more than $2.5 billion in mitigation and adaptation investments across 11 funds and facilities financed by 16 governments and 66 private sector companies).

The Bank Group has also ramped up its creation and sharing of knowledge on the causes and impacts of climate change and the mitigation and adaptation activities required to fight it. Recent knowledge products, often done at the request of or in conjunction with national governments, include a major study, *The Economics of Adaptation*; low-carbon growth studies with a number of developing countries, and a major report on the human dimensions of climate change. The Bank Group's flagship *World Development Report 2010* on development and climate change was also launched in September. It called for nations and individuals to "act now, act together, and act differently" on climate change and showed that developing countries can shift to lower-carbon paths while promoting development and reducing poverty, but this depends on financial and technical assistance from high-income countries.

According to UNFCCC, about 85% of the financing needed to tackle climate change must come from the private sector. The World Bank's private sector arm, the International Finance Corporation's (IFC) experience shows that climate-friendly investments in emerging markets are real opportunities for private companies, financiers and institutional investors. IFC invested more than $1 billion in clean-energy projects in FY09. Since 1990, the World Bank's Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance, has provided guarantees totaling over $2.5 billion for green infrastructure projects in all regions of the world.

WB

Turkey Small and Medium Enterprises To Benefit From New World Bank Financing

Tuesday, 15 December 2009

ANKARA: The World Bank today approved a US$ 250 million equivalent second additional loan for Turkey's Access to Finance for Small and Medium Enterprises (SMEs) project. The loan will be to Türkiye Halk Bankası A.S. (Halkbank), with a government guarantee, and will provide medium and long term working capital and investment finance to small and medium enterprises in Turkey.

“Small and medium enterprises are an engine of the Turkish economy. Continued access to finance for them is crucial for growth and jobs,” said Ulrich Zachau, Country Director for Turkey. “This second additional loan provides more crucial financing for small and medium enterprises, just when they most need it, as Turkey begins to emerge from the impact of the global economic crisis.”

The Access to Finance for SMEs project, a financial intermediation loan of the World Bank in Turkey, is implemented by two borrowers: Halkbank and Türkiye Sınai Kalkınma Bankası (TSKB), each originally supported by a loan of €100 million equivalent approved by the Board of Executive Directors in June 2007. After Halkbank disbursed its original loan amount, an additional finance loan in the amount of US$ 200 million was approved by the board in December 2008.This second additional loan for the Access to Finance for SMEs project is a commitment-linked flexible loan totaling US$ 250 million equivalent (US$ 100 million and Euro € 101.1 million) to Halkbank with an interest rate equal to 6 months Libor, plus fixed spread with final maturity of 14 years, including a 5 year grace period.

WB

World Bank supports reforms in fiscal management, social protection, and financial sector in FYR Macedonia

Tuesday, 15 December 2009

WASHINGTON: The World Bank today approved US$30 million for theFirst Programmatic Development Policy Loan (PDPL) for FYR Macedonia, which will help the country to emerge from the crisis on a stronger footing and to resume sustained high growth and convergence in living standards with the rest of Europe.

“The Programmatic Development Policy Loan supports the Government in its efforts to tackle the consequences of the international economic crisis,” says Evgenij Najdov, head of the World Bank team designing the project (TITLE?). “It is designed to help the country maintain macroeconomic stability, support fiscal policy that will provide sustainable, timely, and targeted stimulus to the economy, assist the vulnerable in coping with the crisis, and maintain stability of the financial sector.”

The ongoing international economic crisis has brought to a halt the acceleration of economic activity of the last few years in the FYR Macedonia. Following growth rates of close to 6 percent prior to the crisis, output growth stagnated over the last three quarters. Industrial production has been declining, business confidence is low, and there is not a lot of money available for lending. The result is a need for a set of policies that will preserve macroeconomic stability and mitigate the impact of the global crisis, while at the same time better preparing the country to benefit from the recovery once it occurs.

The Country Partnership Strategy Progress Report (CPSPR), presented to the Board in March 2009, maintains flexibility to respond promptly and adequately to the evolving economic situation and includes the possibility for a DPL to support an endorsable policy response to the global economic crisis. The operation builds on the extensive policy dialogue the Bank has had with the authorities, and includes areas in which the Bank has comparative advantage. In addition, it reflects the nature of Bank engagement in the country based on strong partnership and flexibility.

The Programmatic Development Policy Loan (DPL 1) is the first in a series of two programmatic Development Policy Loans (DPLs) designed to be disbursed during calendar years 2009 and 2010.FYR Macedonia joined the World Bank in 1994. Since then, commitments to the country total more than US$800 million.

WB

St. Vincent and the Grenadines: WB Approves US$2.3 Million for OECS Regional E-Government Integration Program

Wednesday, 16 December 2009

WASHINGTON**:** The World Bank today approved a US$2.3 million zero-interest credit for the Commonwealth of St. Vincent and the Grenadines to implement an Organization of Eastern Caribbean States (OECS) regional e-government integration program. "This initiative reflects the Government’s commitment to regional integration by taking advantage of economies of scale,” said Yvonne Tsikata, World Bank Director for the Caribbean. “An integrated e-government program, such as this one, can reduce the cost of doing business and improve the efficiency, quality and transparency of public services,” she added.

The *OECS E-Government for Regional Integration Program* will help harmonize regional e-government frameworks and applications by automating and pooling resources across the region, resulting in time- and cost-savings for governments, businesses and private citizens.

Specifically, the program will support the following activities:

1. Harmonize national and regional e-government information and communication technologies (ICT) platforms and frameworks. This component will expand

public administration services by helping to connect regional and national policy, strategy, legislation and related legal and regulatory frameworks.

2. Improve key e-government systems, including:
   - Public financial management to integrate existing budgeting, accounting and reporting systems and develop a web-based public information system to provide easily understandable information on government finances.
   - Tax administration to develop an on-line registration and electronic tax filing subsystem to complement the tax management system.
   - Customs to create a regional customs information sharing network within the context of the upcoming OECS Economic Union.
   - Government procurement to create a regional electronic procurement platform that will initially allow for the online publication of notices and contract awards, while eventually moving to a transactional system for competitive tendering.
   - Health and other social sectors to implement a regional pilot project in health management information systems.

St. Vincent and the Grenadines now joins the Commonwealth of Dominica, Grenada and St. Lucia, which received a total of US$7.2 million from the World Bank in May 2008 to implement the same program. The program is open to other OECS countries, including Antigua and Barbuda and St. Kitts and Nevis. The US$2.3 million zero-interest credit from the International Development Association (IDA) is repayable in 35 years, including a 10-year grace period.

WB

Republic of Korea Prepays Outstanding Credits to World Bank's International Development Association (IDA)

Wednesday, 16 December 2009

WASHINGTON**:** The Republic of Korea today prepaid in its entirety its outstanding debt of USD 33.5 million to the International Development Association (IDA), the World Bank's fund for the 79 poorest countries in the world.

"Korea has been a close partner of IDA for almost five decades, first as a recipient of IDA soft loans and later as a donor," said Axel van Trotsenburg, World Bank Vice President for Concessional Finance and Global Partnerships. "We greatly appreciate the Government of Korea's decision to prepay its outstanding credits, which will help increase IDA's capacity to provide additional support to the poorest countries in the world."

A member of IDA since 1961, Korea received its first IDA funding in 1962, stopped borrowing from IDA in 1973, and became a donor to the Association in 1977. As a recipient of IDA funding the Korean government used IDA financing to support investments in areas such as agriculture, irrigation, education, and railroads. Since graduating from IDA, Korea had been paying off its outstanding debt with IDA. Today's prepayment was made in one lump sum.

"Our economy is now recovering from the effects of the global financial crisis and we recognize the importance of assisting the world's poorest people as they continue to readjust to the shocks" said Kyung-Wook Hur, Vice Minister of Strategy and Finance, Republic of Korea."IDA is a major source of financing for the poorest countries and my Government will continue to provide strong support."

With the country's economy recovering solidly, Korea is well-positioned to scale up its development assistance to developing countries. The Government has announced its intension to increase its ratio of ODA to gross national income from 0.09 percent in 2008 to 0.25 percent by 2015. Korea acceded to the Development Assistance Committee (DAC) of the OECD on November 25, reflecting the country's objective to provide additional assistance to countries in need and according to DAC standards. Korea is the first former aid recipient to become a DAC member. Korea is also the next Chair of the G-20 forum in 2010. Having been an emerging market country when the G-20 was established and now successfully transitioned to the 10thlargest OECD economy, Korea is uniquely placed to demonstrate leadership by sharing with low income countries the lessons from its own development experience.

WB

New Analysis of Allocation of Petroleum Exploration, Development, and Production Systems Yields Lessons of Wider Applicability

Wednesday, 16 December 2009

WASHINGTON: The World Bank Group today launched a new study that analyzes the available evidence on the advantages and disadvantages of various practices used by petroleum producing countries to allocate their exploration, development, and production (E&P) rights.

The study: *Petroleum Exploration and Production Rights: Allocation Policies and Design Issues,* draws specific conclusions about the optimal design of E&P allocation systems. Currently there is little empirical documentation on the design and relative effectiveness of alternative systems for the allocation of petroleum E&P rights and their policy implications. This report offers guidelines to governments as they strive to improve their allocation strategies and related implementation tools.

In order to transform petroleum resources into wealth, governments need to establish the framework and policies that are best suited to maximize social benefits derived from the exploitation of these resources. Governments have a challenging task in deciding which companies should be awarded exclusive rights to explore, develop, and produce their resources, and under what conditions such rights should be awarded.

"Risk and uncertainty are key features of petroleum exploration. Since nobody knows the true value of an exploration block at the time of bidding, sharing the risk is socially desirable," saysSilvana Tordo, Lead Energy Economist from World Bank's Oil, Gas and Mining Policy Division, and author of the report. “Efficient allocation systems allow governments to capture a fair share of benefits after the block has been awarded, not upon award as is the case with cash bonuses."

The study - based on the experience of petroleum producing countries, including Australia, Brazil, Mexico, the United Kingdom, the United States, and Yemen - looks at several factors that affect the design of allocation strategies:

- a country's economic, social, and political objectives;
- the characteristics of the area to be licensed;
- the structure of the petroleum market;
- ownership and access to the resource;
- regulatory and institutional frameworks;
- factors such as future oil and gas prices; and
- competition from other countries.

The report brings together all these factors in a framework that shows how their interaction affects the efficiency of allocation of E&P rights.

The study shows that despite the variety of factors influencing optimal design, most countries use similar solutions. In particular, when auctions or administrative procedures are used, most governments opt for simple, simultaneous, multi-object sealed-bid rounds.

Given the usually high level of uncertainty and risk associated with exploration activities, the report concludes that better results are often achieved by selecting a limited number of “biddable” parameters clearly targeted to the objectives of the government allocation policy, and by relying on the fiscal system to maximize rent capture.

The study also shows that transparent award criteria ultimately improve the efficiency of the bidding process, particularly where a government uses the allocation system to achieve multiple policy objectives.

WB

Financing For Small and Medium Enterprises in Bosnia and Herzegovina Approved

Wednesday, 16 December 2009

SARAJEVO: The World Bank Board of Executive Directors approved financing yesterday for the *Enhancing Small and Medium Enterprises Access to Finance Project* in Bosnia and Herzegovina in the total amount of US$70 million. The project was prepared at the request of BH authorities as one of the measures to mitigate the impacts of the economic crisis.

The *Enhancing Small and Medium Enterprises Access to Finance Project* aims to improve access to finance for small and medium enterprises in Bosnia and Herzegovina, contributing to the growth of the regional economy and exports, which would benefit from improved access to finance.

"The proposed project is designed to support Small and Medium Enterprises (SMEs) in preserving and strengthening their market position under the conditions of crisis, and increasing economic opportunities by facilitating SME access to finance," said Irina Astrakhan, World Bank's Team Leader for the project.

The project would also help the banking sector in Bosnia weather the global economic downturn that has triggered financing difficulties for the enterprise sector.

"Private sector and banking sector sustainable growth are critical to the development of Bosnia and Herzegovina, which in turn may play a critical role for the continuing stability in the region,"stated Marco Mantovanelli, World Bank Country Manager for Bosnia and Herzegovina. "We hope that the project will now be urgently processed by BH authorities, so the funds can become available to SMEs as soon as possible," Mantovanelli added.

The World Bank portfolio of active projects in Bosnia and Herzegovina now includes 14 operations worth about US$ 247.4 million.

WB

Europe and Central Asia Experience Significant Growth in Information and Communication Technologies (ICT) Availability and Use Since 2000

Growth notwithstanding, the region must work to close disparities in order to experience ICT's full development benefits, say report authors

Wednesday, 16 December 2009

MOSCOW**:** Countries in Eastern Europe and Central Asia have seen significant growth in the availability and use of Information and Communication Technologies (ICT) over the past decade, according to World Bank experts convened in Moldova for the Europe and Central Asia launch of the *Information and Communications for Development 2009: Extending Reach and Increasing Impac*t (ICT4D) report. In fact, most countries in the region have seen such exceptional increases in the mobile telephone market, for example, that many now have more telephone subscriptions than people. However, the region also exhibits a growing broadband divide between the richer central countries and their poorer eastern counterparts. The use of e-services is also lagging among the eastern countries: Hungary, Slovenia and Poland are world leaders in the United Nation e-government readiness index, while Belarus, Moldova and Russia rank about average.

Likewise, the region's record with information technology (IT) and IT-enabled services (ITES) industries exhibits a gap. While there is a strong tradition of science and technology education, the post-transition era has seen some countries maintain that lead while quality has eroded in others. The enabling business environment also varies widely across the region. Countries such as the Baltic States, Bulgaria, Poland and Romania are strong performers attracting significant investments and creating jobs in these industries. Other countries lag significantly.

The ICT4D report addresses the critical role that information and communication technologies (ICT) play in economic development. Effective use of ICT is known to increase productivity, generate employment and create a foundation for a country's long-term growth. Not integrating ICT into growth strategies will limit development prospects now and in the future. Globally, the report finds that for every 10 percentage-point increase in high speed Internet connections, there is an increase in economic growth of 1.3 percentage points. It also identifies the mobile platform as the single most powerful way to reach and deliver public and private services to hundreds of millions of people in remote and rural areas across the developing world.

Broadband in particular plays an essential role in providing the basis for local IT services industries, which create youth employment, increase productivity and exports, and promote social inclusion. Report authors say that developing countries should seize this largely untapped opportunity, with less than 15 percent of the potential global market for IT services industries currently being exploited. In 2007, this market represented nearly US$500 billion. "These technologies offer tremendous opportunities. Governments can work with the private sector to accelerate rollout of broadband networks, and to extend access to low-income consumers," says Mohsen Khalil, World Bank Group Director for Global Information and Communication Technologies.

“Governments should proactively encourage the development of local IT services industries through policies and incentives directed at entrepreneurs and the private sector, and through investments in skills and infrastructure.”

“Access to broadband completes the information foundation for a modern economy and should be a priority in national development plans,” says Katherine Sierra, World Bank Vice President for Sustainable Development. “Governments can play a key role in expanding broadband access by policies and incentives that encourage competition and private investment.”

In Europe and Central Asia, attention is beginning to turn to the use of ICT platforms for service delivery and in transforming governments. Some countries are now trying to integrate ICT in economic growth and public sector management. Russia, for instance, has adopted strategic and targeted e-government programs, and has increased federal, regional, and municipal ICT spending. The Electronic Russia program is part of the administrative reform agenda, with activities focusing on service delivery to citizens and businesses. Moldova has also begun its work on a new information society strategy to better integrate ICT into the lives of the citizens, and into businesses and government transactions and processes.

The World Bank’s ICT Engagement in Europe and Central Asia

The World Bank Group is the largest international donor in the field of ICT for development, and supports ICT activities projects in over 100 countries with a portfolio amounting to more than US$3 billion. The World Bank is actively engaged in supporting ICT sector development in the region, through self-standing ICT activities, as well as through ICT components of sector programs in various sectors, including integrated financial management information systems, e-education, agriculture information systems, etc.

The Bank has been involved in Europe and Central Asia in a range of activities to assist governments in implementing e-government: to implement on-line service delivery applications in agencies and departments that provide measurable benefits to citizens, business and employees; to promote the IT/ITES industries; and to strengthen e-services adoption. The Bank is also helping countries to explore the deployment of national broadband networks for innovation and growth. The following is a sample of Bank engagements across the region.

Albania

The Bank provides strategic advice on the potential of adopting e-government, taking into account policy and infrastructure requirements for an enabling framework.

Armenia

The Bank is preparing the E-Society and Innovation for Competitiveness Project (approximately $25 million) that aims to increase competitiveness of the Armenian economy by developing the IT sector, facilitating public-private partnerships for ICT infrastructure investments, and deploying a national broadband network with a focus on rural access.

Bulgaria

The Bank is presently providing input to the Country Partnership Strategy for developing ICT-enabled initiatives and ICT projects that advance national development goals.

Kazakhstan

The Bank is advising on the introduction of e-government applications and on extending ICT across the country. In the past the Bank supported capacity building and training of government officials and the integration of e-government programs across agencies.

Kosovo

The Bank is preparing a Public Sector Modernization Project in Kosovo that will include e-procurement and electronic human resources management systems, as well as technical assistance to move the broader e-government agenda forward.

Moldova

The Bank is providing technical assistance on ICT sector policy reform, regulatory capacity building, and to help identify ways to increase the efficiency of the telecommunications sector.

Russia

The Bank is providing technical assistance on the adoption of new information systems − as well as the related training for the public sector staff − to increase the efficiency and transparency in the areas, including country’s judiciary system, treasury, customs, registration and cadastre.

Tajikistan

The Bank is helping the government to reform the National Statistical System, and apply ICT systems to improve its efficiency and effectiveness for collecting, processing and disseminating accurate, timely, coherent and reliable statistical data.

WB

Asian Countries Tap Climate Funds for $800 Million in Boost for Innovative Climate Action

Climate Investment Funds to mobilize $10 billion for Asian transformation in clean energy and low-carbon growth

Wednesday, 16 December 2009

COPENHAGEN: Three countries in Asia are poised to integrate new efforts for low-carbon growth in their national development plans after countries governing the Climate Investment Funds (CIF) endorsed a first-ever infusion of new funding from the CIF Clean Technology Fund (CTF) for Asia on December 1, 2009.

Vietnam, the Philippines, and Thailand have been awarded a total of $800 million in support of investment plans for a range of innovative climate activities. These include catalyzing private sector investments in energy efficiency and renewable energy through local banks, transmission system upgrades to reduce losses and support renewable energy development, and significant urban transport improvements, through the Asian Development Bank and World Bank Group. Altogether, the three national investment plans are anticipated to mobilize nearly $10 billion in co-financing from government, private sector, and other sources.

"As governments meet in Copenhagen to find a means to cope with the global impacts of climate change, these three low-carbon investment plans by developing countries offer a critical signal of engagement on the part of Asia and a signal about the future of cooperation for sustainable development," said World Bank Group President Robert B. Zoellick. "These investment plans are pathfinders in sustainable growth and climate resilient development. I appreciate Vietnam, the Philippines, and Thailand for working with the World Bank Group on this forward-thinking investment."

"In supporting global efforts to reduce greenhouse gas emissions, these investments will contribute to increased economic efficiency and energy security," said Asian Development Bank President Haruhiko Kuroda. "The strong cooperation between the multilateral development banks and our partner countries in preparing these innovative programs illustrates how we must work together to overcome the challenges of climate change while reducing poverty and improving people's quality of life."

The Vietnam Investment Plan will use $250 million in CTF co-financing for industrial energy efficiency; energy efficiency programs led by energy service companies (ESCOs); initial capitalization of Energy Conservation and Renewable Energy Funds; transmission system modernization; direct investment and a risk-sharing facility for private sector renewable energy development; and enhancements to urban rail systems in Hanoi and Ho

Ch Minh City. The CTF investments will mobilize financing of about $3.195 billion from the government, multilateral financiers, carbon finance, and the private sector.

The Thailand Investment Plan will use $300 million in CTF co-financing to support the government's ambitious target of a 20% share of alternative energy by 2022 and the Bangkok Metropolitan Authority's goal of reducing greenhouse gas emissions by 2012 by 15%. The Investment Plan prioritizes activities that will catalyze private sector investments in renewable energy and energy efficiency through the government's Specialized Financial Institutions and private commercial banks as financial intermediaries, and investments in renewable energy and energy efficiency by state-owned electric utilities as part of a clean energy advancement program. The Investment Plan will also support urban transformation through CTF co-financing for bus rapid transit and a first-of-its-kind urban GHG reduction action plan to build energy efficiency in Bangkok. The CTF investments will mobilize financing of more than $4 billion from the government, multilateral development banks, carbon finance, and the private sector.

The Philippines Investment Plan will use $250 million in CTF co-financing to support government efforts to maintain and increase the country's large share of renewable energy and to implement the National Environmentally Sustainable Transport Strategy. The Investment Plan prioritizes activities that will catalyze private sector investment in distributed generation through renewable resources, provide investment support and risk mitigation for the private sector's entry into energy efficiency and cleaner production sectors, promote solar generation with net metering, and introduce Bus Rapid Transit Systems in Cebu and Metro Manila. The CTF investments will mobilize financing of about $2.5 billion from the government, multilateral development banks, carbon finance, and the private sector.

The three Asian Investment Plans bring the total of CTF-funded Investment Plans to nine. Five other countries – Egypt, Mexico, Morocco, South Africa, and Turkey -- already have Investment Plans endorsed and are in the process of development and implementation of projects. In addition, the CTF Trust Fund Committee on December 1, 2009 endorsed the first regional Investment Plan, a $750 million Plan for scaling up Concentrated Solar Power in five countries in the Middle East and North Africa region.

The Climate Investment Funds (CIF) are a unique pair of financing instruments designed to test what can be achieved to initiate transformational change towards low-carbon and climate-resilient development through scaled-up financing channeled through the Multilateral Development Banks. The two funds are the Clean Technology Fund (CTF), financing scaled up demonstration, deployment and transfer of low-carbon technologies for significant greenhouse gas reductions within country investment plans; and the Strategic Climate Fund (SCF), financing targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential.

Both the CTF and SCF trust fund committees have equal representation from developed and developing countries. Recognizing the imperative of climate change deliberations underway in the UN Framework Convention on Climate Change (UNFCCC), the CIF were designed as an interim measure to strengthen the global knowledge base for low-carbon and climate-resilient growth solutions.

The CIF are implemented jointly by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Finance Corporation, and World Bank.

WB

$750 Million Clean Technology Fund Financing for Concentrated Solar Power in the MENA Region

Wednesday, 16 December 2009

The *Clean Technology Fund* (CTF) approved financing of $750 million on December 2, 2009, as part of an investment plan which will mobilize an additional $4.85 billion from other sources, to accelerate global deployment of Concentrated Solar Power (CSP). It will do so by investing in the CSP programs of five countries in the Middle East and North Africa: Algeria, Egypt, Jordan, Morocco, and Tunisia.

Objectives of the Plan

The Investment Plan will enable the MENA region to contribute to global climate change mitigation by:

- Supporting the deployment of about 1 Giga watt of CSP generation capacity, amounting to about 15% of the projected CSP global pipeline and a two-fold increase in worldwide CSP installed capacity by 2020;
- Supporting associated transmission infrastructure in the Maghreb and Mashreq for domestic supply and exports, as part of Mediterranean grid enhancement that will enable the scale up of CSP through market integration in the region;
- Leveraging in public and private investments for CSP power plants, thereby almost tripling current global investments in CSP;
- Supporting MENA countries to achieve their development goals of energy security, industrial growth and diversification, and regional integration.

The MENA region, one of the best production conditions for solar power

No other region has such a favorable combination of physical and market advantages for CSP. The MENA region has physical attributes that make it particularly promising for CSP scale-up. The region has amongst the world's best production conditions for solar power:

- Abundant sunshine, low precipitation, and plenty of unused flat land close to road.

- Networks and transmission grids. The economies of scale needed for global deployment of CSP can be achieved at the lowest cost of any region.

- Market dynamics in the MENA region can provide a strong enabling environment for large-scale investments: The consumption of electricity in MENA is growing faster than in other regions and countries are looking to scale-up renewable energy to diversify their fuel mix away from hydrocarbons, and to enhance energy security.

Renewable Energy for Low Carbon growth

The MENA region countries – today largely reliant on fossil fuel for energy provision – share a potential for renewable energy with a vast and largely untapped endowment of solar and wind power sources.

The World Bank supports scaling-up of concentrated solar power projects to deploy CSP technology at the scale of about 1 Giga watt (1000 MW) over a 3-5 year time frame in Morocco, Algeria, Tunisia, Egypt and Jordan.

This includes support for transmission infrastructure by strengthening systems in countries as well as interconnections within MENA and between MENA and Europe.

Data on Climate Change in the region

- The MENA region accounts for 4.5% of global GHG emissions per capita

- The growth of carbon emissions from fuel combustion is, however, the world's third largest, and emissions grew more than 3 times faster than the global average between 1990 and 2004.

- Most emissions originate in oil-producing countries, which account for 74% of the region's total emissions.
- Projections show that temperatures in the region will rise up to 2 degrees in the next 15-20 years and over 4 degrees by the end of the century.

- Projections show that water run-off will decrease by 20 to 30% in most of the region.

WB

World Bank Assists Rehabilitation in Northern Sri Lanka

Thursday, 17 December 2009

Washington: The World Bank today approved a US$77 million package for Sri Lanka, designed to support the return of 100,000 Internally Displaced Persons (IDPs) to their places of origin in the Northern Province and to restore their livelihoods destroyed by three decades of civil war. The Bank will also support rehabilitation of provincial roads in Eastern, Northern and southern Uva provinces through a US$105 million credit for a Provincial Roads Project.

Sri Lanka's internal conflict has ravaged the country since the early 1980s and has stunted the country's development, particularly in the Northern and Eastern Provinces. Most aspects of life suffered: people were displaced, institutions were weakened, and infrastructure was damaged. With the end of armed confrontations in May 2009, Sri Lanka is now facing a historic opportunity for development and reconciliation.

"The challenges of reconciliation and reconstruction are daunting," said Naoko Ishii, World Bank Country Director for Sri Lanka. "The approval of this response package by the World Bank's Board of Directors demonstrates that development partners recognize the challenges that the country is facing and want to help. We trust the interventions initiated by the World Bank-supported projects in the North will build a good foundation for rehabilitation and reconstruction and provide a strong platform for the Government to welcome other development agencies as they too come forward to assist Sri Lanka at this critical juncture."

The US$65 million *Emergency Northern Recovery Project (ENREP)* will help the Government of Sri Lanka to assist about 100,000 of the returnees as they seek to resume their economic and social lives. It will restore village-level infrastructure and war-damaged rural access roads, drinking water, irrigation facilities, and public office buildings. ENREP includes "cash for work" opportunities for returnees to fill the income gap between the time of return and the resumption of livelihoods. In addition, the project will provide assistance for returnees who wish to resume farming and fishing

In tandem with ENREP, the Bank will provide an additional US$12 million to the ongoing community-based *Reawakening Project* to provide livelihood support to the most vulnerable returning IDPs, including women-headed households, youth and ex-combatants, as well as disabled and landless people. Already active since 2004, this project has benefited close to 40,000 households - or 200,000 individuals - through increased incomes and improved access to village-level social and economic infrastructure. This additional financing covering the Northern Province will help restore farm and non-farm sustainable livelihoods, and support irrigation rehabilitation for the newly returned IDPs. As part of the integrated implementation of ENREP and the Reawakening Project, consultation mechanisms already established under the Reawakening project will be used to tailor support to the needs of the returning IDPs.

The *Provincial Roads Project* includes a $20 million allocation to the Northern Province, with the rest of the project financing road improvement and maintenance in the still-recovering Eastern Province and Uva Province in the south, which is one of the poorest in the country. The work in the Northern Province will improve about 100km of provincial roads and other road infrastructure in selected, prioritized areas of Jaffna District. This assistance will go towards restoring connectivity between the severely damaged rural network and the main highways, as well as access to socio-economic services. The project will also support rehabilitation of 150km of roads in Uva Province and 100km in Ampara District of the Eastern Province. The people in these provinces rely on agriculture as a main source of income and inadequate connectivity to markets prevents them from getting the best prices for their products.

The credits from the International Development Association (IDA), the World Bank's concessionary lending arm, have 20 years to maturity with a 10-year grace period.

WB

World Bank Approves US$15 Million for Growth and Poverty Reduction in Cape Verde

Thursday, 17 December 2009

WASHINGTON: The World Bank approved today Cape Verde's Fifth Poverty Reduction Support Credit (PRSC-V), a US$15 million IDA credit aimed to support the Government in its efforts to develop policies and institutions aimed at developing a dynamic private sector to be the engine of sustainable growth and poverty reduction, reinforcing the competitive advantage of the country's service sector.

"This operation is the fruit of the strong partnership between Cape Verde and the Bank, and is representative of the Bank's firm commitment to support the Government's efforts to promote growth and poverty reduction, especially in the context of the challenges presented by the global crisis," said Habib Fetini, Country Director for Cape Verde.

PRSC-V will contribute to the improvement of the investment climate through lower taxes, the reduction of administrative barriers, the enhancement of a vocational training adapted to employer needs and greater integration with international markets through investment and trade rules compatible with international markets.

This credit will also support the Government in its efforts to preserve macroeconomic stability, enhance efficiency and transparency in the use of public resources; and improve its functioning and service delivery.

Moreover, this credit will promote good governance through public expenditure management reforms, civil service reform and decentralization, and improvement in statistics and the monitoring and evaluation system. According to Jose Guilherme Reis, Lead Economist and the Bank's Task Team Leader for the operation, "PRSC-V is the first of a new series of three one-year operations to support the implementation of Government's Growth and Poverty Reduction Strategy II (GPRSP-II, which recognizes that poverty cannot be reduced without a robust broad-based growth agenda grounded in a competitive economy."

WB

WB: US$25 Million to Make Colombia's Public Information System More Efficient

Friday, 18 December 2009

WASHINGTON: The World Bank's Board of Directors approved a US$25 million loan yesterday with the intention of improving the quality of and the access to information in Colombia's public sector – key factors in stimulating the country's business climate. The financial assistance package aimed at reinforcing *Colombia's Public Administration System* seeks to improve the transparency, coverage and operation of information systems, allowing decision makers in the country to link performance indicators with planning, budgetary and other administrative areas.

"In response to the global economic crisis and with the help of the World Bank, we want to implement results-based information mechanisms and integrate fiscal administration tools, with the intention of improving the quality of information and reaching the best decisions," said Oscar Ivan Zuluaga, Colombia's Finance and Public Credit Minister. Minister Zuluaga added that "advances in the quality and availability of information related to public spending, income, investment, debt and other fiscal matters are crucial to the improvement of transparency, and therefore the investment climate."

The initiative intends to consolidate and expand the progress made by the *Public Administration Financial Project II*, as pointed out by the World Bank's Director for Colombia and Mexico,Gloria Grandolini. "We recognize the effort made by Colombian authorities to improve the efficiency and transparency of public administration, and through this operation we intend to provide comprehensive solutions, support the State's modernization efforts and thus improve the country's investment climate," Grandolini said.

Some of the expected results include:

- An 85-100% increase in the availability of information regarding the implementation of the General Budget of the Nation;
- Reduction of financial information aggregation from 35 days to one, both from the central government as well as decentralized entities;
- 100% consolidation of budget information (at individual entity level), made available online;
- Reduction of the time it takes customs to release products, from 48 hours to eight hours;
- Improvement of the ratio between tax revenues and budget execution; and
- Resource creation and assignment for the new Center for Fiscal and Financial Studies.

The project will focus on: improving the efficiency and transparency of the public sector by strengthening, expanding and integrating individual public information systems; supporting the design and implementation of mechanisms allowing inter-operationality between tools and individual public information systems; and promoting the total usage of information derived from said tool and system integration, with the purpose of improving strategic decision-making.

In order to achieve those goals, the project will:

- Strengthen the Ministry of Finance and Public Credit's information systems through technical assistance, training and equipment.
- Strengthen public administration information systems within the National Planning Department (DNP) through technical assistance, training and equipment needed to improve the efficiency and effectiveness of public investment.
- Expand the National Tax Directorate's (DIAN) comprehensive tax administration model by supporting certain activities intended to consolidate, bring continuity to and develop the Income, Services and Automatic Control Single Model (MUISCA), through the acquisition of goods, infrastructure and technical assistance.
- Improve the public administration's information system interoperationality through the integration of key information systems and allow the strategic usage

of information generated by said systems with the intention of improving public policy creation.
- Project administration: strengthen the MHCP and DNP through project and activity coordination.

The project will be implemented by the Ministry of Finance and Public Credit, which will coordinate activities with the National Planning Department and the National Tax and Customs Directorate. This is a flexible loan at a variable interest rate (6-month LIBOR plus a variable margin), maturing in August 2023. The project's implementation deadline is 30 April 2013.

This project is an integral part of the World Bank's commitment and dialog within a wider agenda that includes knowledge and consultancy services in support of the National Development Plan.

WB

WB/Colombia: US$20 Million to Improve Justice Services

Civil, family and labor dispute resolution will be delivered effectively

Friday, 18 December 2009

WASHINGTON: The World Bank Board of Executive Directors approved yesterday a US$20 million loan to deliver timely and efficient civil, family and labor dispute resolution services in Colombia. The loan for the Justice Services Strengthening Program constitutes the first phase of a five year program that will contribute to lasting peace consolidation in the country.

In this first phase the project will be implemented in Barranquilla, Bogota, Bucaramanga, Cali, Cartagena and Medellin. Besides they are the six largest cities in the country, they concentrate more than 45% of the total population, count with 750 civil, family and labor courts operating, they currently employ more than 3, 300 court officials, handle more than 3.1 million cases, and serve a population close to 19 million.

For the objective to be achieved, the Project will improve institutional capacity and modernize operative processes in courts and tribunals specializing them in the above dispute resolution, so they may respond effectively to recent increase in demand. The Project will also improve and simplify internal processes within legal offices, thus facilitating service access to vulnerable groups.

The project will scale up an effective management model for producing more adequate outputs, generate reliable and usable data on the sector's performance, and reduce barriers to grater public access to its services.

Among expected outcomes indicators are:

- 300.000 cases resolved or archived in the six cities in which the project operates.
- increased by an average of 50 cases resolved per judge per year in the mentioned cities;
- Court users in the mentioned courts report increase satisfaction levels in up to 85% in terms of quality, timeless and effectiveness of the services delivered;
- Court users in said courts report increase satisfaction in up to 80% in terms of accountability and transparency.
- 50% of the Judiciary staff in the courts and cities where the project will be implemented is trained and evaluated in accordance with the policies and processes development under the Project;
- Decentralized units in the 6 selected cities to provide services to 350,000 users;
- Certified conciliation centers provide services to 20,000 users.

To achieve these outcomes, the Project will improve:

- the managerial capacity of the Judiciary to improve the performance of civil, labor and family courts in Barranquilla, Bogota, Bucaramanga, Cali, Cartagena and Medellin.
- Development of judicial human resources based on periodic performance evaluations and capacity building.
- Access to justice services to vulnerable groups, through the generation and dissemination of reliable information, the extension of geographic coverage and the strengthening of conciliation services.
- Project Coordination: strengthen the Superior Council of the Judicature's capabilities to carry out Project implementation and coordination.

Total financing required is US$40 million, of which the World Bank will contribute US$20 million in this first phase and US$20 million in a second phase contemplated for 2013. The responsible agency for the execution of the loan is the Superior Council of the Judicature. It is a variable spread loan (6 month LIBOR, plus a variable margin) payable in a 12.5 year period, with a 10.5 grace period. The Project is expected to be concluded by December 31, 2013.

This project is a comprehensive part of the World Bank dialogue and commitment with the county that comprises a more extensive agenda that includes knowledge and advisory services.

WB

Nicaragua: WB Approves US$5 Million Donation to Combat the Spread of A/H1N1 Influenza

Friday, 18 December 2009

MANAGUA: The World Bank backed the Nicaraguan government's efforts to contain the spread and effects of A/H1N1 influenza after approving a US$5 million donation yesterday. This contribution will finance a health project aimed at acquiring medicines and equipment to treat the affected population, while reinforcing prevention mechanisms among high risk groups.

"This donation supports the objectives of the National Government Plan to prevent and mitigate the spread of the influenza pandemic, providing adequate treatment and increasing health controls and attention for people affected by the virus," said Laura Frigenti, World Bank Director for Central America.

Since the first A/H1N1 virus outbreak was detected back in April, more than 4,000 people have died from the disease, out of a total 185,000 infections, according to Pan-American Health Organization (PAHO) figures.

World Bank officials pointed out that the project reinforces the control and prevention mechanisms established by the Nicaraguan government in response to the epidemic outbreak.

"This donation contributes to strengthening the response capacity of the national health system in view of the emergency created by this virus and the outbreaks of infectious and chronic diseases in at-risk populations," Joseph Owen, World Bank Resident Representative in Nicaragua, pointed out.

This health initiative is geared toward:

- Acquiring and distributing specific medicines at Local Comprehensive Health Attention Systems (Sistemas Locales de Atención Integral de Salud, SILAIS) in order to prevent sickness or death among populations infected by the A/H1N1 human influenza virus, as well as purchasing and distributing protective systems to avoid contagion of health workers.
- Supporting and strengthening epidemiologic vigilance and prevention programs at the national and departmental level, as well as improving the national and local capacity for early detection and prevention by training Health Ministry staff, traditional health workers, teachers and other community leaders.

Strengthening the communication and prevention strategy to improve awareness among the population and mitigate the effects of the virus at the local level through the circulation of material related to the A/H1N1 virus via radio, local newspaper, the community, outreach workshops, local brigades, and other communication strategies.

WB

Brazil: US$ 195 Million Loan for Alagoas State

1.5 million Poor to benefit from new economic opportunities and better public services

Friday, 18 December 2009

WASHINGTON: The World Bank Board of Directors approved yesterday a US$ 195.5 million loan to the State of Alagoas, in Brazil's Northeastern Region that will benefit 1,5 million poor. The loan will stimulate sustainable growth, job creation and investments opportunities while improving public services in one of the country's poorest states.

Half the population of Alagoas lives below the poverty line. While Brazil and the Northeast have managed to seize new economic opportunities in recent years, Alagoas has not. Its economic growth rate over the last decade has lagged behind both the regional and national averages.

"For too long Alagoas has been an outlier among Brazilian states, and this has had enormous consequences for our capacity to invest and develop," said Teotonio Vilela Filho, Governor of Alagoas. "This program is a turning point for the State. It will enable us to take the first steps to create an environment for reducing poverty and achieving our full growth potential."

Public sector performance is a major reason behind Alagoas' economic and social problems. Continuous fiscal deficits in over a decade resulted in high indebtedness, which in turn has significantly hampered the ability of the Government to foster growth and improve the social welfare of the population.

"This operation responds to requests from the Government of Alagoas but also from the National Treasury. Besides helping the State provide more opportunities for 1.5 million poor, it will also further strengthen Brazil's Law of Fiscal Responsibility, critical to the country's macroeconomic stability," said Makhtar Diop, World Bank Country Director for Brazil. "To do this, the Bank is bringing in extensive expertise, much of which developed in our work with other states such as in Ceará, Minas Gerais and Rio Grande do Sul."

The project will support a long term program of financial and management reforms in key areas of public administration. It will also enable the State to set up a program of priority investments.

“The significance of this program for the State of Alagoas is enormous. It supports a development approach combining fiscal improvement, state modernization, social inclusion and infrastructure, and will provide an infusion of financial and technical support to the State’s institutional reform efforts. We would like to praise the Governor and his team for their work and dedication to these goals,” said Fernando Blanco, World Bank Project Manager.

The World Bank funded program has four main components designed to:

- Improve treasury operations including revenue enhancement;
- Improve the management of personnel records to eliminate fraud and overpayments;
- Improve the administration of the state employee pension system; and
- Promote better budget coordination among government units.

This Development Policy Loan (DPL) will be disbursed in two tranches: the first upon effectiveness in a total amount of US$ 120 million, and the second, of US$ 75.45 million, upon fulfillment of the program’s goals. The loan has a total repayment period of 30 years, with a customized debt amortization profile to respond to the State’s financial needs.

WB