Review

Economic Cooperation and Development

VOL.6 NO.2 OCTOBER 2013

Organisation of Islamic Cooperation

Statistical Economic and Social Research
and Training Centre for Islamic Countries
(SESRIC)

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(SESRIC)

Prof. Savaş Alpay
Director General, SESRIC

I am pleased to inform the readers that under the auspices of His Excellency Abdullah Gül, President of the Republic of Turkey, our Centre has organized the "International Forum on Financial Systems (IFFS)", which was held in Istanbul on 11-12 September 2013. Under the theme "Sustainable Finance for Sustainable Development", the Forum brought together world-renowned intellectuals including eminent economists, statesmen and policy-makers, heads of international organisations, as well as industry practitioners to explore the potential avenues for building a more just, inclusive and stable financial system for generations to come. The Forum was inaugurated by H.E. Abdullah Gül, President of the Republic of Turkey – underlining the state-level support given to the Forum and its successful implementation. H.E. Mehmet Şimşek, Minister of Finance of the Republic of Turkey, also delivered a keynote address during the Forum. The speakers of the Forum included H.E. Dr. Ahmed Mohammed Ali Al-Madani, President of the Islamic Development Bank (IDB) Group, Mr. Osman Akyüz, Secretary-General of the Participation Banks Association of Turkey (TKBB), Dr. M. İbrahim Turhan, Chairman and CEO of Borsa İstanbul, Mr. Nail Olpak, Chairman of the Independent Industrialists and Businessmen's Association (MÜSİAD), Dr. Martin Raiser, Turkey Country Director of the World Bank, Dr. Nazım Ali, Director of Islamic Finance Project at Harvard University, Prof. Richard Andreas Werner, Southampton University, Mrs. Lynda Ann Pettifor, Director of PRIME, Mr. Tarek El Diwany, Senior Partner in Zest Advisory, and Mr. Bill Still, the producer of The Money Masters documentary.

The two-day Forum offered the participants an interactive platform for tabling critical issues related to the major theme of the Forum, such as: the critical perspectives and new visions for creating a more equitable, stable and sustainable financial system; the global financial architecture in the post-crisis era and the prospects and challenges for alternative financial systems; the modalities for promoting a more risk and reward participatory financial system; capital market developments and the development of alternative business models for financial institutions; the role of financial systems in stability and inclusive sustainable development; as well as the potential ways for fostering entrepreneurship in a more participation-based financial system.

Prior to the International Forum on Financial Systems, our Centre has also organized and hosted the 9th International Conference on Islamic Economics and Finance (9ICIEF) on 9-10 September 2013 in the same venue in Istanbul. We have jointly organized this Conference with the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank Group, Qatar Faculty of Islamic Studies (QFIS) of the Qatar Foundation's Hamad Bin Khalifa University, and the International Association for Islamic Economics (IAIE).

The series of the ICIEF, which started in 1976, is among the most prestigious academic events in Islamic Economics and Finance discipline. It has made a significant contribution to conceptualizing the theory and practice of contemporary Islamic economics and finance through research and intellectual dialogue. The Conference provides a platform for dialogue and discussions between policy-makers, academics, researchers, graduate students, and practitioners to address issues related to inclusive economic growth, equity and poverty alleviation, and macroeconomic stability from the perspective of the Islamic economics and finance discipline. The 9th ICIEF provided a distinct opportunity to discuss many and various pressing issues in Islamic economics and finance through plenary sessions as well as parallel sessions where more than 130 papers were presented and discussed. The authors of these papers have come from 32 countries around the world. The Conference included 30 parallel sessions (20 in English and 10 in Arabic), two plenary sessions, one symposium on "Islamic Economics and Finance Education" and one workshop on "Integration of Waqf and Islamic Microfinance Institutions for Poverty Reduction".

In September 2013, we have also hosted at our new Headquarters in Ankara the 22nd Session of the Committee for the Coordination of Statistical Activities (CCSA). Representatives of 21 international organisations including African Development Bank, AITRS, CISSTAT, European Central Bank, EuroStat, FAO, IMF, ITU, OECD, Paris21, UNCTAD, UNECE, UNESCAP, UNESCWA, UNIDO, UNSIAP, UN Statistical Division, UNWTO, WHO, World Bank, and WTO participated in the Session. The major topics discussed during the Session included coordination for the post-2015 development agenda, new approaches for data collection, analyses, and dissemination, statistical capacity building activities, quality assurance frameworks, and preparations for the 45th Session of United Nations Statistical Commission (UNSC). SESRIC is one of the current 39 members of the CCSA, which are all international and supranational organizations, whose mandates and activities include the provision of international official statistics in the context of the Principles Governing International Statistical Activities. The CCSA focuses its work on the six main activities: Efficient functioning of the statistical system; Common standards and platforms; Development of methodologies; Inter-institutional support; Outreach; Advocacy for statistics. The annual report on the activities of this Committee is submitted to the UNSC.

On the other hand, I am pleased to inform the readers that the first Country Gateway Office of the Islamic Development Bank (IDB) Group has been opened in Turkey and will be hosted at our new Headquarters in Ankara. The official opening ceremony of the Office, which took place at SESRIC Headquarters on 19th September 2013, has been inaugurated by H.E. Abdullah Gül, President of the Republic of Turkey, H.E. Ali Babacan, Deputy Prime Minister of the Republic of Turkey, H.E. Beşir Atalay, Deputy Prime Minister of the Republic of Turkey, and H.E. Dr. Ahmed M. Ali, President of the IDB Group. Many diplomatic personalities were invited and attended the ceremony, including the ambassadors of the OIC Member Countries in Ankara and representatives of other international organisations. There is no doubt that hosting Turkey Office of the IDB Group in the Headquarters of our Centre is a distinct opportunity for enhancing and strengthening the cooperation and collaboration between SESRIC and IDB in various areas of common interest, particularly in the area of capacity building and technical assistance, for more benefit to the member countries.

The present issue of *Economic Cooperation and Development Review* includes articles by Ms. Margareta Wahlström, Special Representative of the UN Secretary-General for Disaster Risk Reduction, and Mr. Jean-Marie Paugam, Former Deputy Executive Director of the International Trade Centre (ITC). In her article titled "Leading to a Safer Future: The Post-2015 Framework for Disaster Risk Reduction", Ms. Wahlström highlights the progress made in disaster risk reduction around the globe during the last four decades. In particular, she highlights the achievements of OIC countries and challenges facing them in implementing the Hyogo Framework for Action. She also provides various views on the post-Hyogo disaster risk reduction framework to strengthen the resilience of communities to all hazards. In his article titled "Regional Integration in the League of Arab States: Opportunities for Trade and Employment", Mr. Paugam evaluates the current status and future potential of the regional trade integration among the member countries of the League of Arab States (LAS). Mr. Paugam indicated that despite on-going efforts to cut tariffs and to sign and implement preferential agreements, regional trade integration among LAS countries is still moderate (11%) compared to other common markets, such as the European Union. He argued that non-tariff measures continue to be the main reason behind the low intra-regional trade shares. Another major challenge within the LAS region is high unemployment, especially among the youth, where finding new export opportunities for companies is one possible way to create jobs.

SESRIC also contributes with two recent reports, namely: (1) Private Participation in Infrastructure in OIC Countries; and (2) Output Gaps and Inflation in OIC Countries. The first report analyses the tendency of private participation in infrastructure in 49 OIC member countries between 1990 and 2011 and compares the position of OIC countries with non-OIC developing countries to make assessments on the number of projects, total investments and deal types. The second report presents evidence on the relationship between inflation and output gap for a group of 56 OIC member countries for the period 1980-2011. The report investigates whether the degree of excess capacity in the economy is an important determinant of inflation. The output gap estimates are calculated at country and group levels based on different classifications of monetary policy frameworks, namely: exchange rate anchor; monetary aggregate target; and inflation-targeting framework.

While wishing a pleasant and useful reading to all the readers, I would like to express my deep thanks and appreciation to all the contributors to this issue of the *Economic Cooperation and Development Review.*

Prof. Savaş Alpay
Director General
S E S R I C

ECONOMIC COOPERATION AND DEVELOPMENT REVIEW

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ARTICLES

Ms Margareta Wahlström
Special Representative of the UN Secretary-General for Disaster Risk Reduction

Mr Jean-Marie Paugam
Former Deputy Executive Director, ITC

SESRIC EVENTS

International Forum on Financial Systems

SESRIC CALENDAR

30 September - 01 October 2013: Workshop on 'Increasing FDI Flows to OIC Member Countries', Ankara – Turkey

21-24 October 2013: 7th Meeting of the OIC Steering Committee on Health, Jakarta - Indonesia

21-25 October 2013: Improving Access to National Statistics: Country STAT Regional Training for ECO Countries, Ankara – Turkey

22-24 October 2013: 4th Session of the Islamic Conference of Health Minister (ICHM), Jakarta - Indonesia

11-12 November 2013: 4th Islamic Conference of Ministers in Charge of Childhood, Baku - Azerbaijan

18-21 November 2013: 29th Session of the COMCEC, Istanbul - Turkey

27-28 November 2013: Annual Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, Jeddah - Saudi Arabia

03-06 December 2013: 9th WTO Ministerial Conference, Bali - Indonesia.

04-07 December 2013: 8th Session of the Conference of Ministers of Tourism, Banjul – Gambia

09-11 December 2013: 40th Session of the Council of Foreign Ministers (CFM), Conakry - Guinea

LEADING TO A SAFER FUTURE: THE POST-2015 FRAMEWORK FOR DISASTER RISK REDUCTION

Ms. Margareta Wahlström
Special Representative of the UN Secretary-General for Disaster Risk Reduction

UNISDR
The United Nations Office for Disaster Risk Reduction

Ms. Margareta Wahlström has a career spanning of more than 30 years in international disaster response and humanitarian work, during which she has held wide range of posts in the humanitarian and international sphere and has either worked in or undertaken missions to more than 100 countries, including many across the Middle East and North Africa, Southeast Asia, Southern Africa and Latin America.

Her latest appointment as the UN Assistant Secretary-General for Disaster Risk Reduction also carries responsibility direct to the UN Secretary-General for the implementation of the Hyogo Framework for Action. Prior to this, Ms. Wahlström has served the United Nations as the Executive Secretary to the United Nations Secretary-General's Panel on the Safety and Security of UN Staff and Premises under the Chairmanship of Mr. Lakhdar Brahimi.

From 2002 – 2004, Ms. Wahlström was the Deputy Emergency Relief Coordinator, Assistant Secretary-General in the Office for the Coordination of Humanitarian Affairs, UN New York (OCHA). During the initial phase of the international response to the Indian Ocean Tsunami, Ms. Wahlström served as the Secretary General's Special Coordinator for the Response Coordination. From June 2002 until June 2004, she also served the UN Mission in Afghanistan (UNAMA) as Deputy Special Representative to the Secretary-General Relief, Rehabilitation & Recovery, and as Chief of Staff to the Special Representative of the Secretary-General.

During the period 1989 – 2000, Ms. Wahlström worked for the Geneva-based International Federation of Red Cross and Red Crescent Societies – the world's largest humanitarian organization, with a network covering almost 190 countries – as Under-Secretary-General for the Disaster Response and Operations Coordination division and prior to this, as Deputy Director Operations.

Ms. Wahlström has an academic basis of economic history, political science, social anthropology, archaeology and philosophy of science.

In 1992, countries agreed at the Rio Earth Summit to ensure that natural resources and social assets are protected as they pursue economic growth. Yet, as barriers to investment began to lessen after the economic crisis of the mid-1970s, many large businesses had decentralized, outsourced or off-shored all or part of their operations to different locations worldwide, resulting in trillions of dollars of business investments to pour into hazard-exposed regions. Between 1970 and 2010, the proportion of global GDP exposed to tropical cyclones increased from 3.6 per cent to 4.3 per cent. In East Asia and the Pacific, the value of produced capital has more than doubled from USD 4.6 trillion in 1995 to USD 10 trillion in 2005.

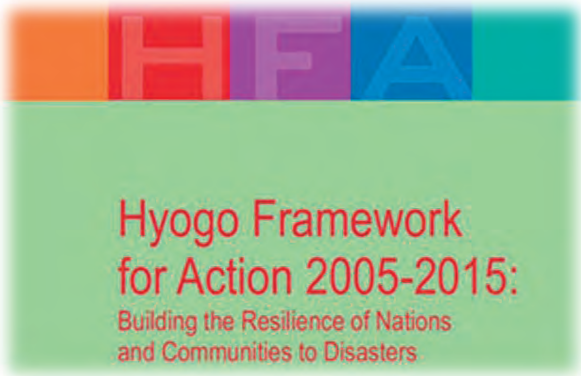
In absolute terms, most loss is concentrated in high-income countries such as Japan and the

United States, reflecting the value of their exposed capital stock. Around 15 per cent of urban capital produced by the world – what the United Nations 2013 Global Assessment Report on Disaster Risk Reduction describes as machinery, equipment and infrastructure produced in urban areas of more than 2,000 inhabitants – is produced in Japan alone. However, smaller countries have a higher proportion of their capital stock at risk, such as Maldives, where 30 per cent of its produced capital is exposed to hazards. A number of small island developing states could lose over 20-per cent of their capital stock in a catastrophic 1-in-250 year cyclone or earthquake.

If "exposure" refers to the location and number of people, factories, offices or other business assets in hazard-prone areas, and "vulnerability" refers to the degree of susceptibility of those assets to suffer damage and loss, then "disaster risk reduction" seeks to reduce risk through actions that reduce both exposure and vulnerability. This is done through better planning to avoid the construction of new risks; corrective risk management to address pre-existing risks; compensatory risk management, such as insurance that shares and spreads risks; and disaster management measures such as business continuity planning, preparedness and response.

Consistent and effective disaster risk reduction, in turn, is underpinned by acceptance of the notion that disasters are a consequence of inappropriately managed risk. In the 1990s, after 30 to 40 years of mixed success in trying to sensitize policy makers to disaster risk reduction, the world's community of disaster risk reduction practitioners recognized the need to influence behavior through systematic advocacy, communication and education. In 1999, the United Nations General Assembly adopted an international strategy for disaster reduction and formally created a secretariat to oversee its implementation. This was followed by the establishment of a common framework for international action to reduce disaster risk, developed and formally endorsed in 2005 by the General Assembly. The secretariat is known in 2013 as the United Nations Office for Disaster Risk Reduction, and the framework as the *Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities.*

The *Hyogo Framework* had countries agreeing on three strategic goals: the full integration of disaster risk reduction into sustainable development policies and planning; the strengthening of institutions and capacities to build resilience; and the systematic incorporation of risk reduction approaches into emergency preparedness, response and recovery programmes. Almost nine years after the United Nations General Assembly endorsed the *Hyogo Framework*, governance arrangements to manage disaster risks have evolved significantly. In 2013, almost 90 per cent of countries report the integration of disaster risk reduction in some form with public investment and planning decisions. At least 85 countries have established multi-sector national platforms for disaster risk management. Responsibilities have become increasingly decentralized to local governments and dedicated budget lines established.



It is important to reflect on this achievement as the world steps up its consultations to forge a successor framework at the 3rd World Conference on Disaster Risk Reduction in Sendai, Japan, in March 2015. To further cement the progress of three to four decades of work, it is equally important to engage in an honest reflection of where there are still gaps in our understanding on how to live with risk. Finally, to ensure a strong framework for disaster risk reduction for the next three decades, it is important that all countries – encompassing all disaster risk reduction "communities of practice" within those countries – take part in developing the successor framework through consultation mechanisms set forth by the United Nations General Assembly in 2014, in the run-up to the World Conference.

Achievements in the OIC region

The *Hyogo Framework for Action* monitor is a good starting point for understanding what countries have already achieved to date. Since 2007, countries have been using a voluntary self-reporting mechanism to report on progress and challenges faced in implementing the *Hyogo Framework* and many achievements have been recorded among the 57 member states of the Organization of Islamic Cooperation (OIC). Djibouti, Egypt, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia and Yemen have or are establishing national disaster loss databases so that future decisions to reduce risk can be better informed and their impact measured.

The State of Palestine has been at the forefront of regional progress to pass legislation and policy that attempts to integrate disaster risk considerations into sector strategies and wider planning. Its National Development Plan 2011–2013 has incorporated a policy framework for reducing disaster risk. The plan is also integrated in the plans and strategies of the agriculture, health and security sectors.

Lebanon too is seeking to adopt an overarching National Strategy for Disaster Risk Management that balances corrective, prospective and compensatory action. The building of political will and leadership, local collaboration, and regional and international partnerships is underpinning the effort despite significant ongoing challenges.

In Bahrain, all schools and hospitals have undertaken multi-hazard risk assessments. In Egypt, the Ministry of Health has an annual budget for disaster management, a new version of building codes was issued in 2009 and seismic retrofits for schools and hospitals continues as does drill training in these institutions.

Egypt's Ministry of Water Resources and Irrigation, in cooperation with the Belgian consultancy company SORESMA and the Free University of Brussels, has developed an early warning system for flash floods in the Red Sea coast and desert areas that are prone to devastating flash floods. This system forecasts the amount, timing and location of rainfall. Based on this simulation, the risk for flash floods is calculated and if needed, a warning is sent to the Crisis and Disaster Management Centre. The Ministry is seeking to extend the system to all of the country's flash flood-prone areas.

Ms. Wahlström speaking at the Side Event during Rio+20 organized by SESRIC and IDB on June 19, 2012 in Rio de Janeiro.

The government-linked Turkish Catastrophe Insurance Pool, which covers both direct and indirect earthquake damage, is part of Turkey's longer term efforts to strengthen disaster risk management. Since 2006, the Istanbul Risk Mitigation and Emergency Preparedness Project has helped provide guidelines on whether to retrofit structures or to rebuild. This is backed by an update of the country's seismic code in 2007, although compliance remains challenging. The Turkish Red Crescent Society also delivers disaster risk reduction school materials nationwide, an area that Syria had progressed in too.

Iran is setting a good example in terms of research, dedicating USD4.6 million for vulnerability analyses and the development of disaster risk management standards. Iran also makes sure to allocate 2 per cent of its annual national budget to disaster risk reduction and management. Indonesia doubled risk reduction allocations between 2006 and 2012 with an estimated 5 per cent of recovery budgets allotted for this purpose.

As disasters continue to cost Albania dearly, the country has joined with Europa Re, the World Bank and the UN Office for Disaster Risk Reduction (UNISDR) in preparatory work to launch the South Eastern Europe and Caucasus Catastrophe Risk insurance Facility. The insurance facility aims to provide cover for earthquakes and floods, and further risk models are due to be developed for extreme weather insurance. This insurance scheme builds on a strong tradition of South East European cooperation, including schemes to monitor, forecast and warn of impending events, such as floods and forest fires, as well as pooling efforts in training and response. Albania's regional engagement accompanies a new draft National Strategy for Disaster Risk Reduction and Civil Protection (2014-18).

Algeria and Morocco, meanwhile, have strengthened gender perspectives in disaster risk reduction with women forming an integral part of Civil Protection personnel.

These country efforts are coalescing

g into more common regional approaches. In the Middle East, for example, more than 250 representatives met in Aqaba, Jordan, in March 2013 for the first Arab Conference on Disaster Risk Reduction, to agree a common position for input to the post-2015 international framework for disaster risk reduction.

Challenges in the OIC region

However, significant challenges remain. In April 2013, a garment factory collapse in Dhaka, Bangladesh, claimed over 1,000 lives and turned one of the country's greatest assets – low-cost clothes manufacturing – to one of its biggest liabilities, forming an example of how one OIC member state has struggled to address the underlying drivers of disaster risk. News reports at the time indicated that the cost of upgrading Bangladeshi factories to higher safety standards were placed at USD 1.5 billion to USD 3 billion.

The reality is that poorly-regulated real estate development continues to be the norm in Bangladesh and many other parts of the world. Developers require clearance from a range of different authorities whose regulations and approval criteria are poorly coordinated. Combined with corruption and the temptation by developers to bypass steps in the approval process, disaster risks are rarely assessed and are transferred from poorly regulated developments to public authorities, infrastructure users and private households.

Scarcity and poor management of natural resources is another risk driver. The United Nation's 2013 Global Assessment Report on Disaster Risk Reduction highlights the Middle East's vulnerability in terms of agricultural drought and water management. The report says that renewable resources, including water, represent a significant vulnerability to the region's future competitiveness in terms of local

livelihoods and attracting foreign investment. Sixty-five per cent of these renewables originate outside of the region, making it vulnerable to water disputes.

Egypt relies virtually exclusively on run-off from the Nile's headwaters in the Ethiopian and Equatorial Highlands thousands of kilometres to the south. The construction of the Renaissance Dam in Ethiopia may have positive outcomes locally, but is likely to affect water availability and security in Egypt. This vulnerability is compounded domestically because of Egypt's unsustainable water practices. Electricity for pumping groundwater and the water itself are free if used for agricultural production. This has significant implication to the country as 85 to 95 per cent of all water use in the country is for agriculture irrigation.

GAR
Global Assessment Report on Disaster Risk Reduction

Meanwhile, in Syria drought has been hitting farmers hard across the country for the past five years. Between 2008 and 2009 about 75 per cent of farmers suffered total crop failure. Production failures were exacerbated by the absence of natural pasture and the doubling of feed prices. Barley was one of the crops hardest hit and given that this is the primary feed for many livestock, the estimated number of sheep dropped 3 million heads. Bahrain, Jordan, Qatar, and Yemen are also among the world's most 'water stressed' countries.

Much more needs to be done to slow down the growing exposure of people and assets to hazards. Doing so may require a new approach to governance, as it will likely involve the engagement of actors from the private sphere, with businesses, civil society groups and local governments taking the lead. Encouragingly, there is growing evidence that this is beginning to happen, with particular emphasis on the business sector.

Transforming risk governance

In an inter-connected world, even businesses in safe locations may be affected by disasters that hit suppliers and partners on the other side of the globe, as international supply chains have created new vulnerabilities. In the wake of the 2011 Japan earthquake automobile giant Toyota lost USD 1.2 billion in product revenue. Parts shortages in the United States caused 150,000 fewer vehicles to be manufactured. Disasters, clearly, do not stop at the factory gate.

The United Nations 2013 Global Assessment Report on Disaster Risk Reduction argues that business decisions are critical in determining how safe and resilient tomorrow's world will be. At the launch of the report in May 2013, the United Nations Secretary-General Ban Ki-moon noted that economic losses so far this century are 50 per cent higher than previous estimates, in the range of a massive USD2.5 trillion. All too often, this reality is accompanied by a continued failure of imagination and the same wistful reflection with each successive disaster, "We never thought this would happen to us."

The likelihood that it *will* "happen to us" is shown through advances in risk modeling, which shows that the scale of disaster is likely to increase as exposure rises. The report, whose full title is *From Shared Risk to Shared Value: The Business Case for Disaster Risk Reduction*, says that over the coming years, trillions of dollars of new business investment are set to pour into hazard-exposed regions of the world including those in OIC member states. How the private sector – which account for up to 85 per cent of total investment globally – decides to allocate these funds will largely determine whether economic losses from disasters will continue to escalate.

And yet, only 15 per cent of companies with fewer than 100 employees have business continuity or crisis management plans. Meanwhile, a global survey of 1,300 businesses in disaster-prone cities confirms that natural hazards cause disruptions to key business lifelines related to power, telecoms and water supply, with 90 per cent of the damage coming from small disasters. With such a strong dependence on public utility supplies, it is estimated 25 per cent of businesses close their doors after a catastrophic event – with some never fully recovering. Prior to the 1995 earthquake in Kobe, Japan, the city's port was the world's sixth-busiest. Despite a massive investment in reconstruction and efforts to improve competitiveness, by 2010, it had fallen to 47th place.

In May 2013, nations and communities at the Fourth Session of the Global Platform for Disaster Risk Reduction in Geneva rallied for even greater engagement of the private sector to reduce disaster risk. Conscious that the next World Conference on Disaster Risk Reduction would take place in less than two years' time, the Global Platform issued a Chair's Summary strongly acknowledging that the active engagement of national and local constituencies, including communities, civil society and private engagement of national and local constituencies, including communities, civil society and private sector, is a prerequisite for a strong successor to the *Hyogo Framework* in 2015. The private


Earthquake in Iran

sector, in turn, made explicit its own role in preventing and reducing disaster risk, since businesses are not only exposed to natural hazards but often contribute to increased disaster risk in the process of driving economic growth. The private sector, represented by Chief Executives from industries that included insurance, re-insurance, infrastructure, real-estate development and geospatial services, pledged to progressively align its risk reduction efforts with the *Hyogo Framework* and to seek new opportunities for public-private partnerships as part of an overall improved risk governance.

The road to Sendai 2015

At the next World Conference in March 2015, to be hosted by the Government of Japan in the city of Sendai, countries will adopt the successor to the *Hyogo Framework* that will draw on the wealth of practical experience and good practice of nations and communities from decades of engaging in disaster risk reduction Consultations have been taking place since March 2012, revealing advances in building resilience targets for the most vulnerable populations; integrating climate and disaster risk in sustainable development; stimulating and grounding local level action; promoting women as a force in resilience building and addressing gender equity in disaster risk reduction; designing incentives for private sector to invest in its own resilience; fine-tuning risk assessments and use of risk information for decision-making; strengthening disaster preparedness and early warning systems; ensuring risk reduction in post-disaster reconstruction as important elements of resilience-building; and mobilization of sectors like health, education, agriculture, infrastructure and water management. The United Nations Office for Disaster Risk Reduction will continue to ensure extensive and inclusive multi-stakeholder consultations for the post-2015 framework for disaster risk reduction and will consolidate the views, perspectives and contributions of all stakeholders.

Indeed, the *Hyogo Framework for Action* does leave scope for change and innovation. One basis to transform how risk is managed is provided by Priority Area 4 of the *Hyogo Framework*, which points towards a development-centric paradigm of risk management. Under the fourth priority for action, countries pledge to reduce underlying risk factors by engaging in sustainable ecosystems and environmental management, applying disaster risk reduction strategies to climate change adaptation, conducting effective land use planning, reducing vulnerability with diversified income options while creating social safety-nets, among other actions. Priority Area 4 implies the need to shift our focus towards addressing development-based drivers and processes that may lead to the accumulation of future risk. When thought of in this way, disaster risk management can be understood as a series of risk-sensitive development processes. It also suggests a series of values and aspirations, such as inter-generational solidarity.

It also means openly admitting the links between the search for economic benefits on the one hand, and risks borne by society, including the risk of disaster, on the other hand. Indeed, risk and risk-taking are natural to human existence and risk is an inevitable construct where human growth and development are to be found. In order for our actions not to pose more risk than society can bear, it is important to understand that disaster risk, as with other types of risk, is constructed as much on external hazards in our natural environment (exogenous risk) as on our development choices (endogenous risk). A new paradigm structured around a balanced acceptance of exogenous and endogenous risk would help unlock (a) the potential price to be paid for taking these risks, (b) benefits that accrue from assuming certain risks, and (c) show where risk could be spread more judiciously and benefits shared more evenly.

If the post-2015 framework stresses the holistic nature of risk and is supportive of more organic, networked initiatives of citizens, businesses and local governments towards equitable and sustainable development, then it has the potential to be transformative. Ecosystems' dynamics, needs and "priorities" would be taken into account as well as those of humans. This implies that strategies from other areas of public policy, such as poverty reduction, land use planning, environmental management, provision of clean water, adequate wastewater and drainage facilities and so on, will be equally used as instruments for managing developmental disaster risks. Disaster risk management would then live *inside* development. Managing risks would be seen as a "normal" co-benefit of day-to-day development planning, human development and investment.

We should perhaps cease to speak of "developed" or "developing" countries and start to speak of "sustainable or adaptable" or "unsustainable and non-adaptable" countries. This also requires indicators that allow us to measure these outcomes, including a modification and amplification of the Human Development Indicators. And finally, the new disaster risk reduction framework should be mutually reinforcing of the new Sustainable Development Goals (SDG), with disaster risk management being implicit in all the SDGs.

The expertise and experience of OIC states is crucial to this process. As has been outlined above, OIC member states are well placed to reduce disaster risk as well as showcase achievements globally as the world's public and private sector leaders begin to shape the post-2015 international framework for disaster risk reduction. Consultations on this framework are now beginning in earnest ahead of the March 2015 World Conference on Disaster Risk Reduction in Japan. The new post-2015 international framework for disaster risk reduction needs strong input and follow-up from OIC member states. As the Special Representative of the United Nations Secretary-General for Disaster Risk Reduction, I look forward to seeing OIC member states play a major role as we seek to build a safer and more resilient planet over the next 30 years.

Under the auspices of H.E. Abdullah Gül, President of Turkey, SESRIC organized the

International Forum on Financial Systems

11-12 September 2013, Istanbul, Republic of Turkey

SESRIC, in collaboration with the Participation Banks Association of Turkey (TKBB), Borsa İstanbul, Islamic Development Bank Group (IDB), and the Independent Industrialists and Businessmen's Association (MÜSİAD), organized the "International Forum on Financial Systems (IFFS)", which was held on 11-12 September 2013 at WOW Convention Center in İstanbul, Turkey. The Forum brought together world-renowned intellectuals including eminent economists, statesmen and policy-makers, heads of international organisations, as well as industry practitioners to explore the potential avenues for building a more just, inclusive and stable financial system for generations to come.

The Forum was organized under the auspices of the Presidency of the Republic of Turkey, underlining the state-level support given to the Forum and its successful implementation. The Forum was inaugurated by H.E. Abdullah Gül, President of the Republic of Turkey. H.E. Mehmet Şimşek, Minister of Finance of the Republic of Turkey, also delivered a keynote address during the Forum.

The event was organised at a time when the world continued to struggle for curing the adverse effects of the global finance crisis which had broken out in 2007 and laid bare some structural problems in the health of the global financial system. The reform agenda which had been put forward and the reform actions taken so far by international actors were widely recognized as inadequate and far from being able to restore the credibility of the existing global financial architecture and its ability to perform its basic functions, the most important of which is to serve the real sector and real economic activities. Given the on-going structural problems undermining the sustainability of the global financial system and endangering the world's socio-economic development, the Forum was held on the theme "Sustainable Finance for Sustainable Development".

The speakers of the Forum included, among others, H.E. Prof. Savaş Alpay, Director General of SESRIC, H.E. Dr. Ahmed Mohammed Ali, President of the IDB, Dr. Martin Raiser, World Bank Country Director for Turkey, Mr. Durmuş Yılmaz, Chief Advisor to the Turkish President, Dr. M. İbrahim Turhan, Chairman and CEO of Borsa İstanbul, Mr. Daud Vicary Abdullah, President and CEO of International Center for Education in Islamic Finance (INCEIF), Mr. Osman Akyüz, Secretary General of TKBB, Mr. Aamir A. Rehman, Managing Director of Fajr Capital, Mr. Nail Olpak, Chairman of MÜSİAD, Prof. Richard Andreas Werner, Southampton University, Mrs. Lynda Ann Pettifor, Director of PRIME, Mr. Tarek El Diwany, Senior Partner in Zest Advisory, Mr. Bill Still, the producer of *The Money Masters* documentary, Mr. Rafe Haneef, CEO of HSBC Amanah, Dr. Nazım Ali, Director of Islamic Finance Project at Harvard University, Prof. Humayon Dar, Founding Chairman of Edbiz Corporation, Prof. Mahmoud Amin El Gamal, Rice University, Prof. Murat Yülek, İstanbul Commerce University, Mr. Abdullah Karataş, Islamic Development Bank, Mr. Baybars Altuntaş, Chairman of Turkish Business Angels Association, and Mr. Michael McMillen, Partner in Curtis, Mallet-Prevost, Colt & Mosle.

"In recent years, the global economy has been going through turbulence. The root of the crises, which are felt more heavily in especially the developed market economies, lies in the problems in the financial system," said H.E. Abdullah Gül in his inaugural remarks to the meeting. He went on to say: "Therefore, it

would be beneficial to discuss the policies and alternative financial methods from all dimensions and all points of views that can help the world come out of the global economic crisis," and added: "In this vein, I have found the idea to organize the International Forum on Financial Systems valuable and have taken the Forum under my patronage as President."

At the outset of his welcoming remarks, H.E. Prof. Savaş Alpay, Director General of SESRIC, noted that the role of the financial system and institutions in the world economy had changed dramatically in the last decades where financial institutions had become larger and started to take more risk. He added that the biggest challenge would be to find a way to fix the structural flaws in the current financial system and build a financial system that would serve the real economy and foster sustainable development. Dwelling also on the negative effects of the existing financial system on the global wealth distribution, Prof. Alpay said: "Currently, only 0.5 per cent of all people in the globe own around 40 per cent of all the wealth accumulated. Looking from the other perspective, which is more severe, around 70 per cent of all people in the globe owns only 3.3 per cent of the global wealth."

Mr. Durmuş Yılmaz, Chief Advisor to the Turkish President, made the case that only a tiny part of the world population lived the age of abundance and he put the question: "If the present financial system is the best financial system then why is the majority of the world population in this situation?"

During his keynote speech in the first day of the Forum, H.E. Mr. Şimşek, Minister of Finance of the Republic of Turkey, dwelled on the global finance crisis experience, and global as well as domestic solutions for macro-financial stability.

Then, he shared with the participants Turkey's structural reform agenda in the post-crisis era and the long-term prospects for sustainability of the country's economic financial success. The Finance Minister also stated that Islamic finance, as an alternative model, was strong because, according to him, the property of risk and return sharing enabled the system to be more resilient whereas absence of derivatives and speculative positions helped tame greed.

H.E. Dr. Ahmed Mohammed Ali, President of the IDB, said that the recent crisis had revealed the structural shortcomings of the current financial system, and opened the door for a new financial paradigm. According to him, it has become clear that the new paradigm needed for the global economy should be one that is built on moral values and ethical principles. Dr. Mohammed Ali reminded the audience an earlier statement by the IMF Managing Director, Mrs. Christine Lagarde, who said: “the principles we’re fighting for are very well inscribed in Islamic finance.”

Mr. Tarek El Diwany, Senior Partner in Zest Advisory and a former London-based trader, noted during his presentation titled “Policy Options for Genuine Financial Reform” that when designing economic and social policies we first needed to define our purpose. “Is it profit maximization? What about the maximization of happiness, social stability, or environmental sustainability?” he added. According to Mr. El Diwany, the recent financial crisis is similar by analogy to a disaster caused by a powerful engine with a malfunctioning steering wheel. He said that as funds were tended to be allocated towards profitable projects, rather than towards well collateralised projects, the quality of resource allocation would likely to improve.

In his presentation titled “Capital for Future: Towards an Sustainable Financial Sector Development”, Dr. Martin Raiser, World Bank Country Director for Turkey, underlined the importance of enhanced coordination, improved risk management, stronger buffers, strengthened corporate governance and financial inclusion, and said: “Islamic finance can play a role in this transformation.” But “...more standardization and harmonization of the regulatory framework is needed to realize its full potential,” he added.

Mrs. Ann Pettifor, Director of PRIME and an eminent author and analyst of the global financial system, shared with the participants that prospects were rather dim for a transformation of the inherently unstable and unbalanced global financial system that remains prone to systemic crises. She also noted that the national and international political decision-making process was largely to blame for the failure to re-structure and stabilize the global financial system.

The two-day Forum offered the participants an interactive platform for tabling several critical issues such as: the critical perspectives and new visions for creating a more equitable, stable and sustainable financial system; the global financial architecture in the post-crisis era and the prospects and challenges for alternative financial systems; the modalities for promoting a more risk and reward participatory financial system; capital market developments and the development of alternative business models for financial institutions; the role of financial systems in stability and inclusive sustainable development; as well as the potential ways for fostering entrepreneurship, private equity and venture capital in a more participation-based financial system.

Regional Integration In The League Of Arab States: Opportunities For Trade And Employment

Mr Jean-Marie Paugam
Former Deputy Executive Director, International Trade Centre

Jean-Marie Paugam, a French national, served as Deputy Executive Director of the International Trade Centre from March 2011 to June 2013. He served as Acting Executive Director between June and August 2013.

Mr Paugam began his professional career with the French Ministry of Economy, Finance, Industry and International Trade in 1993 and was posted as Economic and Commercial Counsellor with a specialization in multilateral trade negotiations, to the French embassies in Washington, D.C., (1997-1999) and Rabat, Morocco (1999–2001). Mr Paugam served as International Adviser to the French Economy and Finance Minister (2001-2002). In 2002, Mr Paugam was appointed Head of the Trade Policy and WTO Unit and French Deputy Representative to the EC Trade Policy Committee (Comité 133), a position he held until 2003.

Mr Paugam served as Senior Research Fellow at the French Institute for International Relation (IFRI), a major independent think-tank in Paris (2004-2006), where he published numerous articles and research papers on trade policy, with a special focus on trade and development issues. In 2006, Mr Paugam was appointed Assistant Secretary for Bilateral Relations with Africa, Europe, the Commonwealth of Independent States and the Middle East at the French Treasury. Mr Paugam was promoted as Head of the Bilateral Relations and Export Finance Department in 2008. In this capacity, Mr Paugam undertook a lead role in the design and implementation of reforms within the French export promotion agency Ubifrance.

Mr Paugam is a graduate of the École Nationale d'Administration – ENA (1991-1993) and the Institute of Political Studies of Aix-en-Provence (1989) and holds a master's degree in law from the University of Aix-en-Provence (1988).

In recent years, regional integration has come back into the foreground of trade policy activity while multilateral trade talks have stagnated. Across the world, all but a handful of countries have signed regional preferential trade agreements with their neighbours, some of which are overlapping. Still, intra-regional trade has not surged everywhere in response to these agreements. The remaining obstacles, which go far beyond conventional tariff measures, keep markets highly fragmented.

As a result, instead of pulling regional resources together, many small and developing economies remain largely dependent on trade with the developed world. This foregone regional-trade potential implies lost opportunities for governments, firms and people, and may have adverse consequences for employment and eventually also for welfare. Identifying the major bottlenecks to greater integration is therefore a first step towards making regional preferential trade agreements actually work.

Despite ongoing efforts to cut tariffs and to sign and implement preferential agreements, regional trade integration among the member states of the Arab League is moderate compared to other common markets, such as the European Union (EU). In fact, the share of total trade that takes place inside the League of Arab States (LAS) amounts to merely 11%. While tariffs have been gradually removed as a result of the signing of the Great Arab Free Trade Area (GAFTA) in 1997, regional integration has not increased. Non-tariff measures (NTMs) continue to prevent LAS member states from trading more with each other. Besides low intra-regional trade shares, a major challenge within the LAS region is high unemployment, especially among the youth. Finding new export opportunities for companies is one possible way to create jobs.

Regional Trade Integration in the LAS: Current Status and Future Potential

A recent study carried out by the International Trade Centre (ITC), 'League of Arab States' regional integration: opportunities for trade and employment', measured and analysed the evolution of trade integration within the League of Arab States was. Despite efforts to cut tariffs, it shows that no integration can be inferred from the evolution of trade flows since 1995. While a relatively low complementarity between exports and imports of the region may partly explain this pattern, it is also due to remaining trade obstacles, in particular non-tariff measures. Using a simulation model, the impact of removing those obstacles is measured, with a special focus on employment effects.

Overall, LAS trade has experienced strong growth since 1995. With varying degrees of success, LAS countries have undertaken efforts to boost regional trade by signing and implementing preferential trade agreements. Still, the general evolution of the LAS countries' intra and extra-regional non-oil imports and exports over the past 15 years suggests that the bloc's trade shares have hardly changed (see Figure 1).

Despite the numerous preferential trade agreements between the EU and individual LAS member states, the EU's share in the imports and exports of LAS countries has actually declined. While the EU member states accounted for 45% of total LAS' imports in 1995, they accounted for only 32% of their imports in 2010. The EU's declining importance is even more striking when one considers exports: the share of exports directed to the EU member states fell from 40% (1995) to 18% (2010).

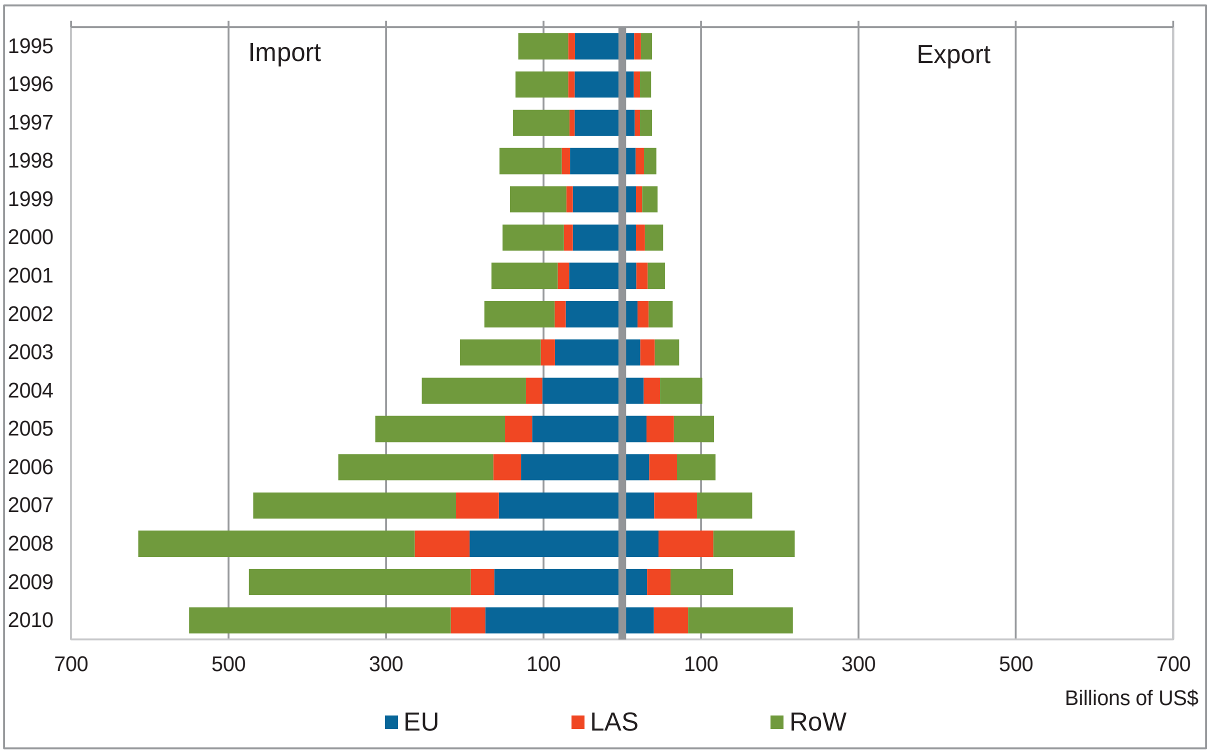
During the same period, intra-regional trade has not increased and has remained a small fraction of total LAS trade. While intra-regional LAS imports accounted for 6.5% of total imports in 1995, this share dropped to 4.8% in 1997, the year the GAFTA agreement was reached. After that, intra-regional imports revived, reaching 11.6% in 2007. Still, the global economic crisis, which took hold in 2008, dealt a severe blow to intra-regional LAS trade. In 2009 the import share had dropped to 6.2%, which was even below the 1995 level. In 2010, though, the LAS member states' intra-regional import share rose again, to 8%.[1]

With declining trade between the LAS countries and the EU, and almost unchanged intra-regional trade, the rest of the world (RoW), comprising primarily other developed economies and emerging market economies, has been able to substantially increase its share of trade with the LAS countries. The share of these countries in total LAS' imports has experienced an impressive growth, moving from 48% in 1995 to 60% in 2010. The export share going to the RoW has outpaced the import share. Standing at 37% in 1995, the share of LAS exports directed towards the RoW had surged in 2010 to 61%.

[1] This recovery seemed to continue in 2011, even though data for some large LAS members is still missing for that year.

While these figures do not allow us to draw any firm conclusion about regional integration, Figure 1 shows very clearly that LAS' exports have risen in the past fifteen years irrespective of their destination. Therefore, any increase in imports within the LAS region may simply be driven by higher exports and can therefore be completely unrelated to regional integration.

Figure 1: Evolution of LAS' trade with... (excluding oil)



Note: ITC staff calculations. Data comes from Cepii's BACI database. Data excludes oil (HS 27). EU is the group of the 27 current member states except Belgium and Luxembourg. Values are in billions of US$.

The potential for intra-LAS trade

The level of trade integration depends on a number of parameters, among which is the complementarity between supply and demand. A complementarity index can be calculated, which measures the degree to which the export and import structures of two trading partners coincide. If the shares of a product in total exports and imports of the two partners are identical for all products, the index takes the value of 100, whereas it is 0 when products exported by a partner are not imported at all by the other. A high degree of complementarity indicates more favourable prospects of trade between two partners.

Table 1 shows the trade complementarity index and the actual share of LAS trade and other country groups in total exports of the LAS countries. Because of the region's focus on oil, the complementarity among the trade structures within the Arab League, but also with other country groups is rather poor. Still, results can be compared across groups. Although differences are moderate, the LAS' export structure shows a slightly higher overlap with the import structures of both countries belonging to the Organisation for Economic Cooperation and Development (OECD) and the group of other developing countries. The modest complementarity of exports and imports of LAS countries is one factor that explains the rather low degree of intra-regional trade.

Table 1: Trade complementarity and actual trade of different country groups (incl. oil)

LAS exports to...	*LAS*	*OECD*	*DCs*	*LDCs*
Trade complementarity	29	34	35	26
Actual export share	6.2%	44.3%	26.1%	0.8%

Note: ITC calculations. Data used for the calculation of the complementarity index comes from ITC TradeMap. Data used for the calculation of export shares comes from Cepii's BACI database. The complementarity index ranges from 0 (complete dissimilarity between the exporter's supply structure and the importer's demand structure) to 100 (perfect match between the two structures).

Evolution of regional trade integration

Merely comparing trade within the LAS region to trade going out of the LAS region is not sufficient to assess the extent of regional integration. For example, if LAS share in world exports increases in general, irrespective of whether the destination is a LAS or a non-LAS market, the fraction of intra-regional imports will increase, even though greater intra-LAS trade cannot be ascribed to regional integration. In what follows, imports from LAS countries and from the RoW will therefore always be compared to their total exports.

The current state of integration among the LAS countries will be assessed by comparing the evolution of the LAS' shares in the total exports (and thus, in the total supply) from inside and from outside the region. Import shares are compared instead of export shares in order to match the perspective of the tariff analyses conducted in the next chapter. Regional integration is then defined as the difference in the growth rate of the LAS share in the total supply of LAS countries and the growth rate of the LAS share in the total supply of the RoW. Two cases are distinguished:

Growth of supply share LAS > growth of supply share RoW → Regional integration

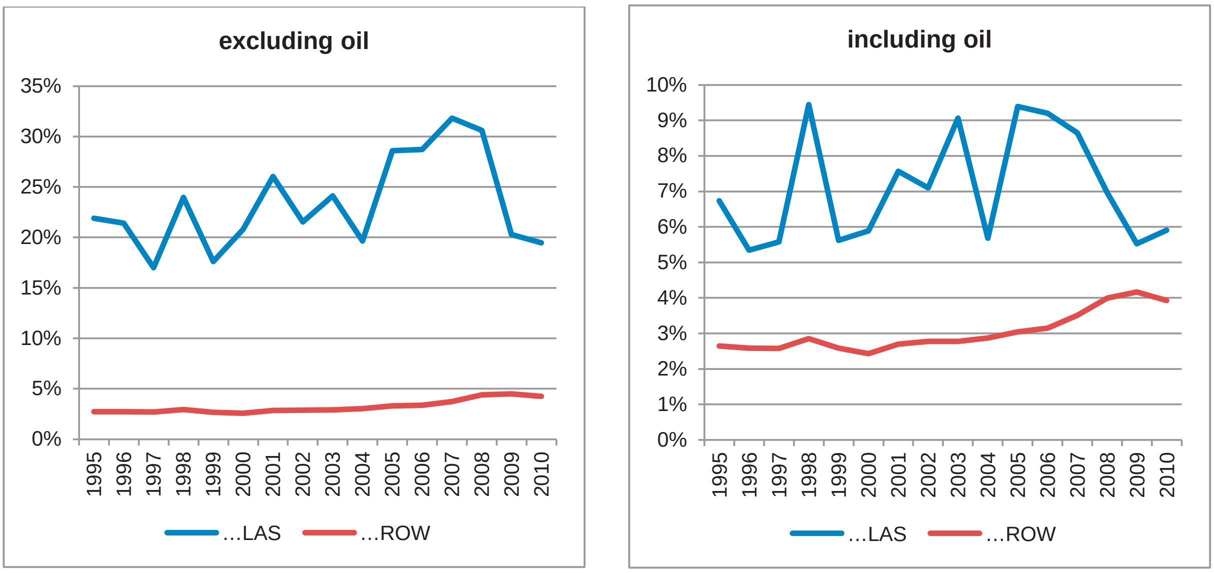
Growth of supply share LAS < growth of supply share RoW → Regional disintegration

Comparison of supply shares indicates declining regional integration

The share of intra-regional supply is substantially higher than the share of extra-regional supply since the LAS countries absorb a greater part of total LAS exports than total RoW exports. Furthermore, it is higher when oil is excluded since oil is predominantly traded with the RoW. Figure 3 shows the evolution of the LAS' share in the total supply of the LAS and of the RoW separately for oil-excluding (left-hand panel) and for oil-including trade (right panel).

The [blue] lines in both panels indicate a growth of the LAS countries share (as a destination) in the total exports of the LAS on average for the years prior to 2007. After that the trend shows declining export shares for LAS, which continues until the last year when oil is excluded from the calculations (left panel). By contrast, the LAS countries' share in the total exports of the RoW steadily increased until 2009 – no matter whether oil is included or excluded from the calculations. This evolution suggests increasing regional trade integration up until 2007, which is then followed by a decline. Looking at the entire period 1995-2010 (Figure 3) it becomes clear that the share of the LAS markets in the total exports of the LAS has dropped to below the 1995 level. Since the opposite is true for the LAS region's share in the total exports of the RoW, it is possible to conclude that regional integration has declined.

Figure 3: Evolution of the LAS shares in total exports of the LAS and the Rest of the World

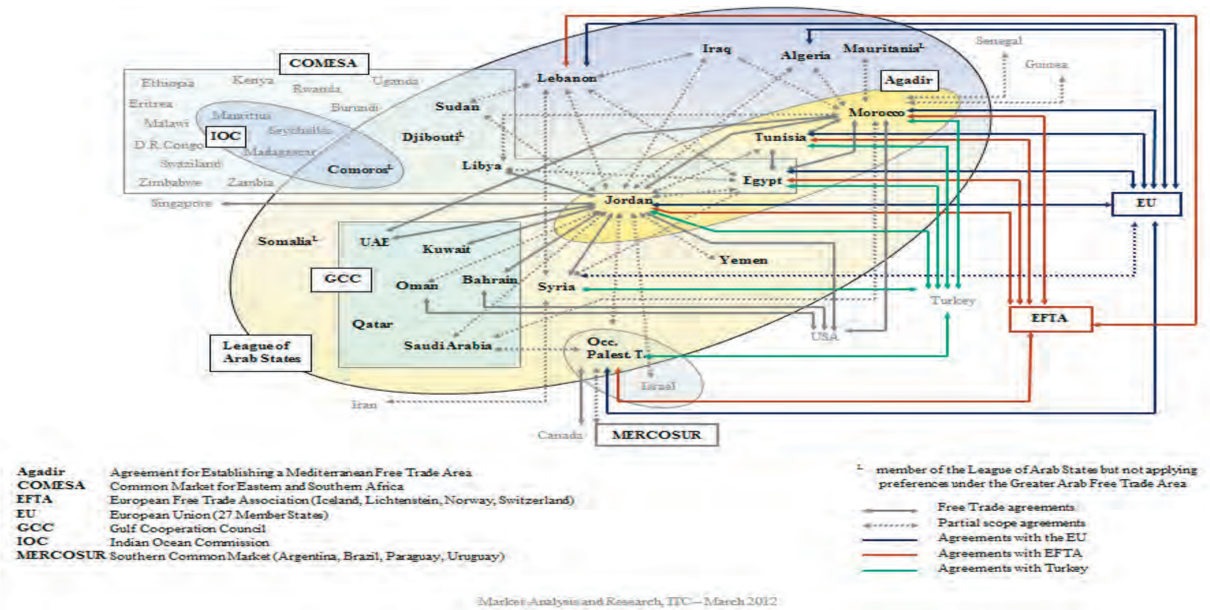


Note: ITC calculations. Data comes from Cepii's BACI database.

Obstacles to Greater Regional Integration

So far the analysis has shown that regional integration within the LAS region has not (yet) materialised, leaving the existing potential for trade largely untapped. To assess whether market access conditions in one LAS country favour other LAS member states, the tariff rates that these countries face are compared to the tariff rates other – non-LAS – suppliers face when exporting to the LAS.

Figure 4: Trade agreements involving LAS members



Note: This graph reflects, to the best of ITC's knowledge, the situation as of January 2012. Included are (implemented) agreements concerning trade in goods only. The number and list of products to which preferences are granted varies from country/territory to country/territory. Only agreements with reciprocal preferences are shown.

Average tariffs applied by LAS countries to other League members are similarly low. Based on the LAS countries' import structures in 2006-2010, a weighted average of 0.4% tariff duty was applied among LAS members. By contrast, non-LAS members faced tariffs on LAS markets in the range of 5% to 6%.

Non-tariff measures

Despite the favourable evolution of tariff preferences, there is no evidence of regional integration among the LAS trading partners. Factors other than 'conventional' tariffs seem to be in place, preventing the free exchange of goods across LAS markets. Some of these factors may be limited supply capacity preventing LAS countries from meeting the demand of other LAS members. This study will focus on other barriers, notably on burdensome non-tariff measures (NTMs).

As part of its programme on NTMs, ITC conducts large-scale business surveys that help us better understand obstacles to trade. Building on the experience and knowledge of export and import businesses in dealing with non-tariff barriers, these surveys are a viable and proven mechanism for deepening understanding on the perception and impact of NTMs, which by their nature are hard to quantify. They identify – at the product, sector and partner country-level – the predominant obstacles a country's business sector faces when complying with NTMs, as well as potential bottlenecks at the national level with regards to the capabilities and technical capacity to meet regulations and demonstrate compliance.[2]

ITC's programme on NTMs covers more than 20 countries, including a number of LAS member states. To date, surveys covering all major export sectors are finalized in Egypt and Morocco. In addition, survey data for the agricultural sector in Tunisia is available.[3]

Non-tariff measures affect intra-regional trade in the LAS

For both the agricultural and the manufacturing sector, a significant share of challenging measures affecting exports – 24% and 33% respectively – is applied by the home country. This is in line with the findings of NTM surveys in other countries and regions, which have revealed that many trade impediments originate at home. Figure 5 below summarizes the "origin" of challenging NTMs reported by exporting companies in Egypt, Morocco and, for the agricultural sector, Tunisia.

Still, in the three countries under consideration, the majority of burdensome NTMs faced by exporting businesses are applied by partner countries. In particular these originate in EU and LAS member states, despite the existing free trade agreements with both blocs. In agriculture, more NTM cases are linked to the EU than the LAS, both in absolute terms and as a share of export values, whereas in manufacturing, the share of cases related to LAS member states is higher. In both sectors, only 15% of cases reported by businesses in Egypt, Morocco and Tunisia concern NTMs applied by the rest of the world (i.e. countries which are neither EU nor LAS member states).

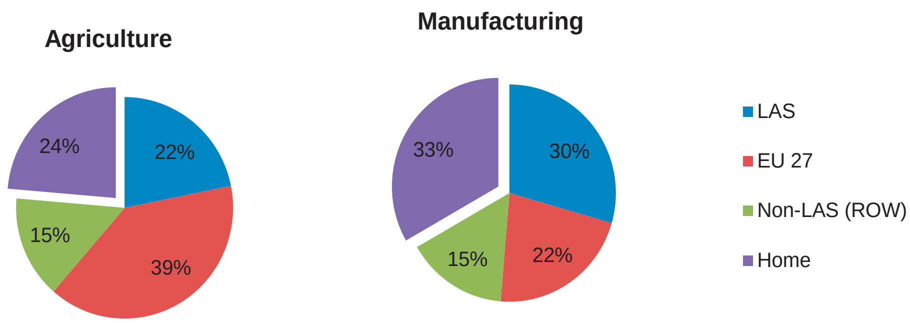
To assess the perceived difficulty of different (groups of) trading partners, the reported NTM cases have to be put into the trade context. Figure 6 plots the average share of NTM cases against the average share of exports by partner region. If the former exceeds the latter, a destination market can be said to be relatively difficult.

[2] For more information on the methodology underlying the surveys and the analysis of results, please see ITC (2011), "Sri Lanka: Company Perspectives – An ITC Series on Non-Tariff Measures", ITC Technical Paper, Appendix I and Chapter 2.

[3] The NTM program is also being implemented in the State of Palestine. However, at the time of writing, the final survey data was not available yet.

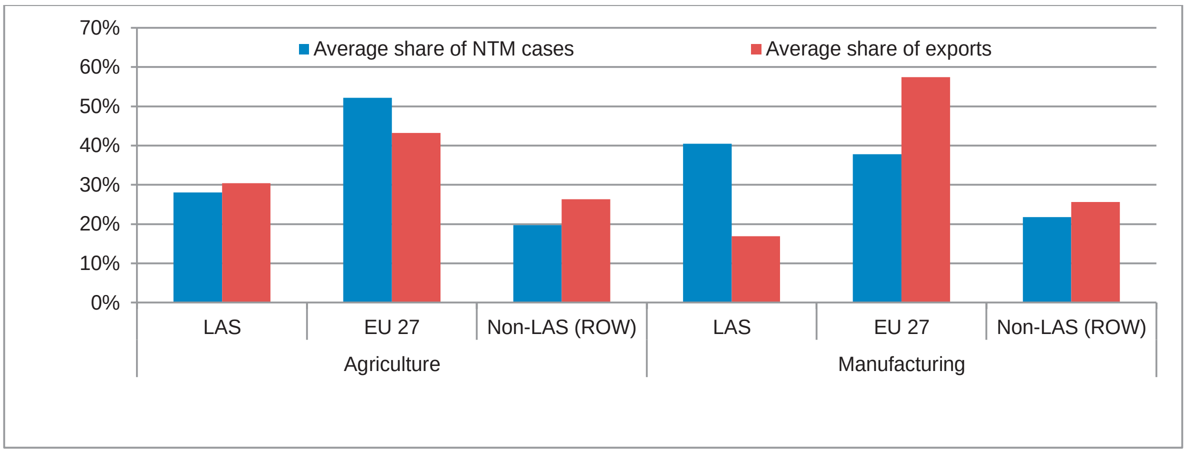
While the EU seems to be the most challenging destination of agricultural exports, LAS markets appear as the most difficult destination for manufacturing goods.

Figure 5: Share of NTM cases by sector and country applying the NTM – simple average



Agriculture: simple average across Egypt, Morocco and Tunisia; Manufacturing: simple average across Egypt and Morocco
Note: ITC calculations. Data comes from ITC NTM surveys in Egypt, Morocco and Tunisia. Only burdensome NTMs reported by exporters are considered.

Figure 6: Share of burdensome NTMs and exports across trading partners



Note: ITC calculations. Trade data comes from ITC Trade Map. Trade data for 2010, minerals and arms excluded. NTM data comes from ITC NTM surveys in Egypt, Morocco and Tunisia. Agriculture: simple average across Egypt, Morocco and Tunisia; Manufacturing: simple average across Egypt and Morocco. Only burdensome NTMs reported by exporters are considered.

Employment Effects of Further Regional Integration

Despite a broad removal of tariffs, intra-regional trade within the LAS region has hardly expanded. The analyses have also identified trade impediments stemming from NTMs as one possible barrier to regional integration. Besides low intra-regional trade shares, a major challenge within the LAS region is the high level of unemployment, especially among the youth. Finding new export opportunities for companies is one possible way to create jobs.

Given the current low tariffs applied within the Arab League, non-tariff barriers to trade are the main impediments to trade. The impact of such non-tariff barriers can be quantified using econometric techniques. Employing available estimates of non-tariff barriers and a *computable general equilibrium* (CGE) model of the world economy, the benefits from a reduction of these remaining trade obstacles on revenues, trade and employment in export sectors are estimated. With data on employment broken down by gender for three countries, Algeria, Egypt and Morocco, labour market impacts for men and women can be predicted separately.

Two different scenarios are compared: in the first scenario, the world does not experience any major policy change. In the second scenario, LAS member states are assumed to significantly ease obstacles to trade (bringing them down to a fourth of their current level) with respect to other LAS member states only. The evolution of trade, welfare and employment until 2025 in both scenarios can then be compared.[4]

The model

The Mirage model describes the world economy in an integrated framework with a detailed representation of production, demand and trade.

Beyond the issue of logistics and tariffs, exporting implies additional costs that do not need to be borne when selling on the domestic market, or at least not to the same extent. Therefore, producing goods or services for a foreign market requires proportionally more inputs than producing the same good and selling it locally.

To measure employment impacts, the number of people involved in the production of exported goods is computed. As a reduction of trade barriers is expected to increase exports, it will displace labour from the production of goods and services sold to domestic markets towards export activities. Considering the composition of labour in terms of skill and gender, it is possible to analyse impacts on labour demand by categories.

[4] A full liberalisation was not considered as an attainable target because it would imply that it is exactly as simple to sell in another LAS member country as it is to sell within the producer's own country.

Removing trade obstacles will create jobs in export sectors

Reducing non-tariff obstacles to trade will result in a lower price of imported goods from LAS countries in other LAS countries. This will increase the purchasing power of consumers, resulting in a rise of welfare of 2% in 2025 as compared to the reference scenario.

The welfare gain is unevenly distributed across LAS countries, with gains ranging from 0.4%-0.5% for Qatar, the United Arab Emirates (UAE), and Kuwait, to more than 10% for Tunisia. At the same time, Qatar, the UAE and Kuwait experience a rather small export growth, between 0.8 and 2.7% of their total exports, as compared to more than 50% in the case of Tunisia.

In 2007, and in the reference scenario, intra-regional trade in the LAS region is stronger in manufactured products (with the exception of the textile and clothing sectors) that are more oriented towards external markets. Services are also traded internationally, with very low shares of intra-LAS trade. Non-tariff barriers affecting services trade are of a similar magnitude as those affecting trade in most goods. Barriers to trade in goods are heterogenous; they are quite high in the food sector, rather low in textile and clothing, and almost zero for oil. Because of this initial specialization and the level of barriers to alleviate, a further integration of LAS trade focusing on non-tariff barriers would mostly create new opportunities in some sectors such as food or metals and machinery. Even though exports of textiles and services to other LAS member states would increase in percentage terms, it would not represent a significant increase globally. Sectors benefiting from new export opportunities would become more profitable, thus attracting more investments. Policymakers would therefore need to take care to provide opportunities for women and youth to increase their participation in favoured sectors.

It is obvious that the new export opportunities would help create jobs in the export sectors (see Tables 2 and 3). In total, more than 2 million unskilled jobs could be created in the LAS region's export sectors by 2025, as well as 80,000 skilled jobs. Some countries, such as Tunisia, would need to take concerted action to facilitate industries where skilled jobs are concentrated to ensure unskilled jobs are not traded off for existing skilled jobs in export sectors. The relatively smaller increase of demand for skilled labour is down to the reduction of overall services exports. Services require a larger proportion of skilled labour than goods.

Table 2: Change in demand of unskilled labour in export sectors (2025)

	Unskilled jobs in the exporting sectors (thousands)	*Growth (%)*	*Number of new jobs created (thousands)*
LAS (Total)	26,394	9.2	2,422
Bahrain	138	4.3	6
Kuwait	269	3.5	9
Oman	110	18.0	20
Qatar	20	7.8	2
Saudi Arabia	3,956	3.1	124
United Arab Emirates	497	6.9	35
Iraq, Jordan, Lebanon, Palestine, Syria, Yemen	10,510	12.6	1,329
Egypt	3,743	3.9	145
Morocco	2,718	1.3	36
Tunisia	744	2.3	17
Algeria, Libya	950	1.9	18
Somalia, Sudan	2,739	24.9	681

Note: ITC calculations. Mirage simulation based on GTAP8 data (2007). Countries are grouped following the GTAP classification.

Table 3: Change in demand of skilled labour in export sectors (2025)

	Skilled jobs in the exporting sectors (thousands)	*Growth (%)*	*Number of new jobs created (thousands)*
LAS (Total)	2,051	4.0	81
Bahrain	13	1.0	0
Kuwait	29	4.5	1
Oman	11	10.3	1
Qatar	2	6.2	0
Saudi Arabia	274	2.8	8
United Arab Emirates	36	5.8	2
Iraq, Jordan, Lebanon, Palestine, Syria, Yemen	851	5.2	44
Egypt	351	-0.2	-1
Morocco	189	2.5	5
Tunisia	65	-7.9	-5
Algeria, Libya	68	2.4	2
Somalia, Sudan	162	14.8	24

Note: ITC calculations. Mirage simulation based on GTAP8 data (2007).

Given the limited availability of gender data, the general analyses on trade in goods and services were mapped to countries where gender data is available, namely Algeria, Egypt and Morocco. Table 4 and Table 5 indicate that overall, women benefit less than men (in percentage terms) from the improved market access. Algeria is an exception with a small above-average increase in the female labour force. Policymakers would therefore need to take action to facilitate the participation rate of women in export manufacturing.

Table 4: Change in demand of unskilled labour, manufacturing export sector (2025)

	Export manufacturing, unskilled labour (men and women, thousands)	*Growth (%)*	*Export manufacturing, women unskilled labour (thousands)*	*Growth (%)*
Egypt	913	26	90	10
Morocco	647	9	244	3
Algeria	15	55	1	59

Note: ITC calculations. Mirage simulation based on GTAP8 data (2007).

Table 5: Change in demand of skilled labour, manufacturing export sector (2025)

	Exporting manufacturing, skilled labour (men and women, thousands)	*Growth (%)*	*Exporting manufacturing, women skilled labour (thousands)*	*Growth (%)*
Egypt	57	29	5	13
Morocco	41	11	14	4
Algeria	1	53	0	57

Note: ITC calculations. Mirage simulation based on GTAP8 data (2007).

The low increase in female employment assumes that gender participation rates in different sectors does not change and results from its high share in the textile and garment sectors. These sectors benefit less from the increased market access than, for example, the food sector, where initial obstacles are high and women are under-represented. By contrast, the food export sector experiences a substantial removal of obstacles and, at the same time, absorbs a large share of the – mostly male – workforce. As a result, job creation in the food sector is remarkable. In Egypt, the metals and machinery sector, which employs a mostly male workforce, would also benefit significantly from a further trade-integration process in the LAS region. Still, by encouraging changes in sector-gender participation rates, policymakers can help ensure that benefits accrue to all.

Conclusion

Despite the various preferential agreements within the League of Arab States region (the most important being GAFTA), intra-regional trade is still low compared to other regional markets, such as the EU or the Association of Southeast Asian Nations (ASEAN). Low intra-regional trade stands in contrast to the LAS countries high trade shares with the EU and rapidly increasing shares with the RoW. Of the 22 LAS member states, ten countries trade less than 10% within region and this share of low intra-regional trade often involves manufacturing products.

These low current levels of intra-regional trade go in parallel with declining regional integration in the past 15 years. Especially striking is the fact that the past five years, which covers the period of full implementation of the GAFTA, drive the overall result of regional disintegration. Only Qatar and Lebanon managed to build closer ties with other LAS countries during this period. With the exception of textiles and optical and medical instruments, manufacturing products are often affected. This is despite the removal of tariffs in these products and the existence of overall tariff privileges for LAS member states.

This shows that this positive evolution of tariff preferences has failed to translate into greater regional integration in the LAS region. Other obstacles, often non-tariff in their nature, are in place, preventing LAS countries from trading more with each other. Such NTMs have hit manufacturing trade within the region particularly hard, and match ITC's findings that integration is on the decline for these products. Sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) measures, as well as rules of origin, seem to be the types of NTMs frequently applied. The fact that the GAFTA includes provisions to eliminate such non-tariff measures is therfore a cause for worry.

While the removal of tariffs remains a precondition for achieving greater regional integration, tariff preferences do not automatically translate into integration. Despite major efforts, such as GAFTA, which aims at the full elimination of tariffs among all but four LAS members, only a few countries have actually achieved closer trade links with the LAS countries than with the RoW.

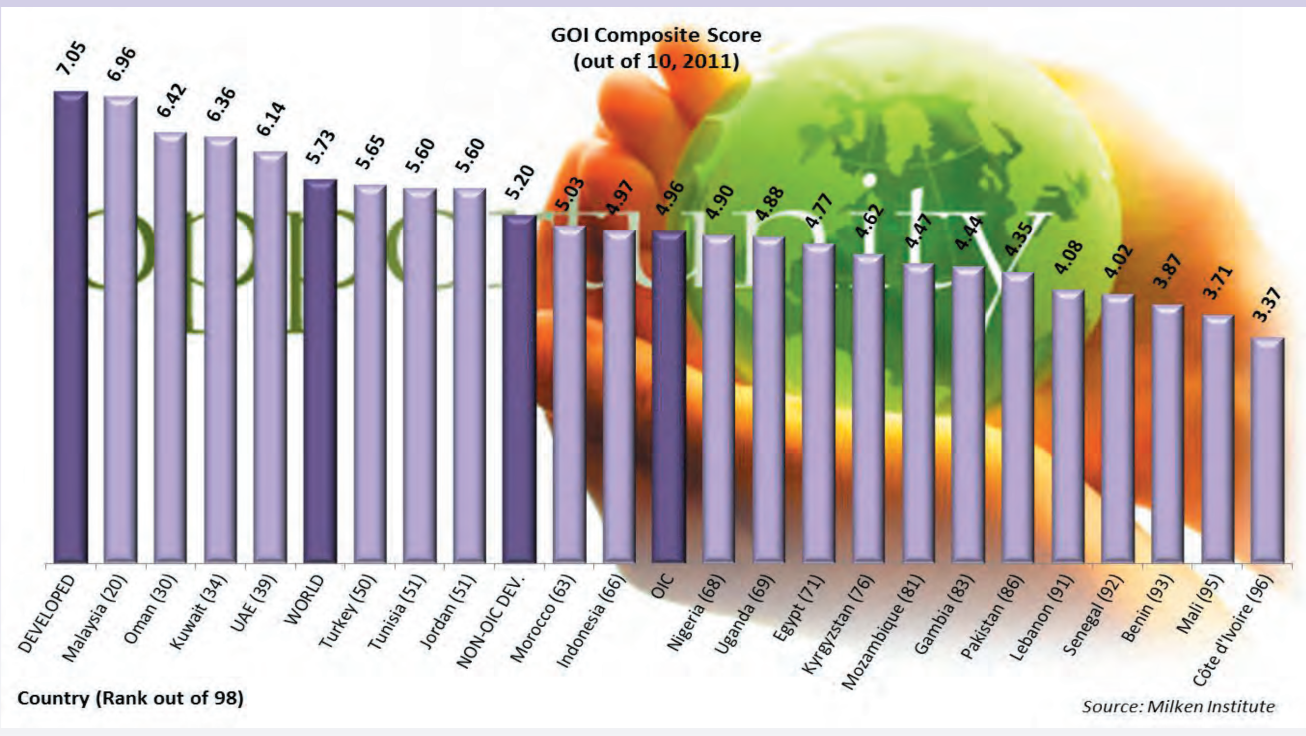
The modest evidence of regional integration among the LAS trading partners hints at factors other than 'conventional' tariffs hindering the free exchange of goods across LAS markets. In fact, exporting companies seeking access to foreign markets and companies importing products need to comply with a wide range of requirements including technical regulations, product standards and customs procedures. These NTMs affect intra-regional trade in the LAS countries, especially in manufactured products. Egypt, Morocco and Tunisia, for example, report SPS and TBT measures as well as rules of origin as major challenges for their exports to other LAS member states. This is despite that GAFTA includes provisions on the elimination of non-tariff barriers to trade. It therefore seems crucial to not only sign, but fully implement existing preferential agreements so that their effects on regional trade can unfold.

Simulations show that a reduction of non-tariff barriers to trade between LAS member states would only favour the sectors that are already traded significantly within the region, particularly sectors that initially face high obstacles. As a consequence, these sectors would become more profitable and attract more investment. Still, because of the limited financial resources, this might lead to reduced production in some sectors that are initially more internationally oriented.

In all LAS countries, services tend to rely on a more skilled workforce, while available data on countries such as Morocco, Egypt and Algeria show that the presence of women is higher in the clothing industry than in other manufacturing sectors. As a consequence, while such a scenario would enable the creation of many jobs in the exporting sectors, to ensure sustainable growth, it is fundamental to develop sectors that require skills and allow female workers to be integrated into the economy. Specific efforts would be required to ensure that the overall gains at the regional level would also benefit the services and clothing sectors, and encourage increased gender participation in sectors benefiting most from increased intra-regional trade.

Did You Know?

- The Global Opportunity Index (GOI) tries to focus on the key drivers of FDI. Hence, it considers not only economic variables that influence investment, but also business, legal, and regulatory policies that governments can modify to encourage capital flows or pursue to accelerate job creation. Though not perfect, it also gives a quick notion about what do multinational companies and development agencies need to know before making large-scale, long-term capital commitments.
- The GOI tracks countries' progress on 67 variables aggregated in the following 5 categories that measure an aspect of economic and institutional factors' power to attract foreign investment:
    1) **Economic Fundamentals** *(Macro-performance, Trade and FDI Openness, Quality and Structure of Labor Force, Financial Infrastructure, Physical Infrastructure),*
    2) **Regulatory Barriers** *(Restrictions on Free Flow of Capital, Restrictions on International Trade, Restrictions on Ownership of Banks),*
    3) **Ease of Doing Business** *(Cost of Starting a Business, Cost of Resolving Solvency, Accounting and Disclosure Requirements, Costs of Terrorism and Crime, Tax Burden),*
    4) **Regulatory Quality** *(Burden of Regulation, Quality of Regulation, Quality of Policymaking, Corruption),*
    5) **Rule of Law** *(Legal Infrastructure, Protection of Property Rights, Protection of Investor Rights)*
- Each category value is normalized and ranges from 10, indicating the most favorable conditions for investment, to 0, signaling the least favorable. The composite index value is calculated as the simple average of the five categories.
- The 2011 index covers 98 countries, 21 of which are OIC Countries. With a score close to 7 out of 10, Malaysia ranks within the top 20 among the 98 countries analyzed. Oman, Kuwait and UAE are the other member countries having score above the world average of 5.73. Meanwhile, the scores of Turkey, Tunisia, Jordan Morocco and Indonesia are higher than the OIC average, 4.96.



SESRIC Hosts the Opening Ceremony of the Turkey Office of Islamic Development Bank Group at its New Headquarters

19 September 2013 in Ankara, Turkey

The official opening ceremony of the Turkey Country Gateway Office of the Islamic Development Bank (IDB) Group was held on 19 September 2013 in Ankara, Turkey at the SESRIC headquarters. This was after the decision of the IDB Group to launch its first country gateway office ever in Ankara, following the hosting agreement signed early 2013 with SESRIC. The ceremony was graced by H.E. Abdullah Gül, President of the Republic of Turkey, and attended by H.E. Beşir Atalay, Deputy Prime Minister of the Republic of Turkey, H.E. Ali Babacan, Deputy Prime Minister of the Republic of Turkey, Dr. Ahmed Mohamad Ali, President of the IDB Group, Ambassadors of OIC Member Countries, high-level government officials, country representatives of international institutions and eminent personalities.

In his welcoming address, Prof. Savaş Alpay, Director General of SESRIC, expressed his pleasure to host IDB's Turkey Country Gateway Office within the SESRIC headquarters and highlighted that this would be a historical pace towards increasing the already high level of cooperation between two institutions, and generating dynamics of change and transformation for the benefit of OIC Member Countries.

In this context, Prof. Alpay recounted that IDB and SESRIC are partnering in various cooperation projects and programmes for the benefit of the OIC Member Countries, such us the OIC Vocational Education and Training Programme (OIC-VET), OIC Statistical Commission, Atlas of Islamic World Science, Technology and Innovation Project, OIC Poverty Alleviation Programme, and organisation of many international agenda-setting activities, such as the most recent International Conference on Islamic Economics and Finance, and International Forum on Financial Systems.

Prof. Alpay also expressed his thanks and appreciation to H.E. Abdullah Gül, the President of the Republic of Turkey, for his continuous support during the construction of SESRIC new headquarters, as well as Member Countries for their generous assistance towards the activities of the Centre.

In his speech, Dr. Ahmed Mohamad Ali, President of the IDB Group, expressing his thanks to SESRIC for hosting IDB Group's Turkey Country Office in its Headquarters, articulated his pleasure for opening the first country gateway office of the IDB Group ever in Ankara, Turkey. He informed the participants that one additional office will also be established in Istanbul, Turkey, iterating his hope that these two offices will be strengthening ties and collaborative projects between the IDB Group and Turkey.

In his address, H.E. Ali Babacan, Deputy Prime Minister of the Republic of Turkey, recalled the opening ceremony of the SESRIC Headquarters he attended one year ago in September 2012 and expressed his pleasure on the opening of the IDB Turkey Country Office in the SESRIC Headquarters. He indicated that this would increase the productivity and the number of jointly implemented projects of SESRIC and the IDB, as they are now located in the same building. H.E. Babacan highlighted the important activities of SESRIC especially in the field of socio-economic research, and indicated that OIC member countries are now aware of and familiar with these studies and the policy recommendations proposed by SESRIC.

H.E. Babacan also highlighted that while Turkey is one of the important contributors and members of the IDB, it is also effectively utilizing the financial support of the bank

especially in infrastructure-related projects. In this context, H.E. Babacan indicated that Turkey experienced an increase in the number of projects supported by the Bank especially in the last three years.

H.E. Abdullah Gül, President of the Republic of Turkey, inaugurated the opening ceremony and recalled the days he was working as an economist in the IDB during the 1980s. He mentioned that these days have contributed towards his experience in regard with both the weaknesses and strengths of the Islamic World. H.E. Gül indicated that the IDB has the same member countries as the OIC. He expressed that this profile of member countries is most interesting as it includes both the poorest and richest countries in the world and that it brings another dimension to the responsibilities of the IDB. He expressed his pleasure and satisfaction on the decision of the IDB to launch its first country gateway office ever in Ankara, which will be followed by another office in Istanbul. President Gül expressed his belief that Istanbul will become one of the most important finance centres of the world and the IDB will play an important role in this respect. President Gül reminded that he closely followed and supported the construction of the SESRIC Headquarters and highlighted that the opening of the IDB Country Office in the SESRIC Headquarters is quite meaningful.

The ceremony continued with the cutting of the ribbon by H.E. President Abdullah Gül, Deputy Prime Ministers Ali Babacan and Beşir Atalay, SESRIC Director General Prof. Savaş Alpay and IDB President Dr. Ahmed Mohamad Ali. Following the ceremony, H.E President Gül took this opportunity and made a tour inside the newly constructed SESRIC Headquarters and the part of the IDB Country Gateway office inside the building.

Output Gaps and Inflation in OIC Countries

*SESRIC**

INTRODUCTION

One of the important issues in macroeconomics is understanding macroeconomic fluctuations, or business cycles. One way to measure the fluctuations is by estimating output gap. Output gap is defined as the difference between actual and potential output. Potential output is an unobservable variable that reflects the maximum output an economy can sustain without inducing inflation. It is the level of Gross Domestic Product (GDP) at which all economy's resources are fully employed. It is a measure of sustainable output level.

The estimates of output gap, or the gap model, are useful to indicate inflationary or contractionary pressures and the cyclical position of the economy. Inflation will tend to rise if the gap is positive, it will tend to fall if the gap is negative and it will remain stable if the gap is zero. Since economic policies have direct impacts on the gap, the gap model is central to almost all inflation models. It provides assessments of the economic conditions and outlook for policy making.

The purpose of this special report is to present evidence on the relationship between inflation and output gap for a group of 56 OIC member countries for the period 1980 to 2011. The report investigates whether the degree of excess capacity in the economy is an important determinant of inflation. The output gap estimates are calculated at country and group levels based on the classification of four monetary policy frameworks namely: (1) Exchange rate anchor; (2) Monetary aggregate target; (3) Inflation-targeting framework; and (4) Other category.

To preview the results, in general, the measures of output gap exhibit some degree of associations with changes in inflation in countries that adopt either monetary aggregate target or exchange rate anchor frameworks, particularly after 2000s. In addition, some economies display similar broad profile of excess supply and demand pressures from 1980 to 2011. The results imply that for member countries having synchronized business cycles and common shocks, a coordination of macroeconomic policies would be desirable and would foster convergence towards the ultimate goal of forming a currency union.

Measuring Output Gaps

In general, output gap represents the difference between the actual and potential output levels (or the transitory movements from the potential output, measured as a share of potential output). However, potential output is not directly observable and neither is output gap. Therefore, both have to be estimated. There are various methods of estimating output gaps. The literature suggests that estimates of output gap can vary considerably across estimation methods at particular points in time. However, there is a considerable similarity in the broad time profile of the various gap estimates, suggesting that the gap relative to its past contains useful information. Therefore, it is possible to infer the relative size of the gap instead of the absolute size. This special report focuses on the measurement of the relative size of the gap.

The literature suggests five different methods of estimating output gap, one of which is Hodrick-

Prescott (HP) filter trends. Choosing the optimal method requires considerable judgment since different methodologies and assumptions may produce different results. Due to its less structural, simpler approach and wide acceptance, we employ HP filter in our estimations technique, which is briefly described below.

Hodrick-Prescott (HP) Filter

Output gap is estimated as the log difference between actual output and its Hodrick-Prescott (HP) filter. The HP filter decomposes output into permanent and transitory components generating a smoothened trend of output. The generated smoothened series is the estimated potential output. The HP filter is defined as follows. Suppose a time series $ygap_t$ can be decomposed into trend (growth) component, $ygap_t^g$ and cyclical component, $ygap_t^c$:

(1) $ygap_t = ygap_t^g - ygap_t^c$

The HP filtering process will choose the growth component, $ygap_t^g$ that minimizes the following problem:

(2)

$$Min(1/T)\sum_{t=1}^{T}(ygap_t - ygap_t^g)^2 + (\lambda/T)\sum_{t=2}^{T-1}[(ygap_{t+1}^g - ygap_t^g) - (ygap_t^g - ygap_{t-1}^g)]^2$$

where T is the sample size and λ is the smoothing weight on potential output growth.

Output Gap and Inflation

The estimation of output gap is a useful tool for policy analysis. Monetary and fiscal policies will affect actual output while structural policies will affect potential output. Output gap captures the effect of shifts in domestic demand thus represents demand shocks. It contains irregular components of the actual output and includes temporary elements that are shaped by business cycle and other very short-run fluctuations. This situation is often considered as a source of inflationary pressure and requires reduction in aggregate demand or tightening of monetary policy. The reverse situation may require easing of monetary policy or other conditions to stimulate demand.

The importance of output gap in macroeconomic models is due to its importance in the assessment of the followings: (1) inflationary pressures; (2) cyclical position of the economy; and (3) convergence criteria of the countries trying to form a currency union. The estimations provide information about excess capacity in the economy at a particular point in time. From the perspective of monetary policy, the output gap over the forecast horizon is of most interest. In addition, time series of the output gap is employed in modelling exercises. For example, given that excess demand pressures are a key cause of rising inflation, the output gap can be included in price or wage inflation equations to obtain a more precisely estimated equation and more accurate forecasts (De Brouwer, 1998). There are of course many factors affecting inflation but output gap is central among them.

Monetary Policy Framework Classification in OIC Countries

For the purpose of the analysis, the *de facto* classifications of monetary policy frameworks in the OIC member countries are based on Table 5.1 of the Annual Economic Report on the OIC Countries (2012: 77). The abridged version is reproduced in Table 1. The 56 member countries fall under one of the following categories:

Exchange Rate Anchor (35 countries); Monetary Aggregate Target (12 countries), Inflation-Targeting Framewok (3 countries), and Other (6 countries). More than half of the OIC member countries belong to the Exchange Rate Anchor policy framework.

Table 1: Monetary Policy Framework Classification in OIC Member Countries

<table>
<tr><th>Monetary Policy Framework</th><th colspan="4">Countries</th></tr>
<tr><td rowspan="2">Exchange Rate Anchor
(35 countries)</td><td>**U.S. dollar**
(15 countries)</td><td>**Euro**
(12 countries)</td><td>**Composite**
(7 countries)</td><td>**Other**
(1 country)</td></tr>
<tr><td>Bahrain, Djibouti, Guyana, Iraq, Jordan, Kazakhstan, Lebanon, Maldives, Oman, Qatar, Saudi Arabia, Sudan, Suriname, Turkmenistan, UAE</td><td>Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Gabon, Guinea-Bissau, Mali, Niger, Senegal, Togo</td><td>Algeria, Iran, Kuwait, Libya, Morocco, Syria, Tunisia</td><td>Brunei</td></tr>
<tr><td>Monetary Aggregate Target
(12 countries)</td><td colspan="4">Afghanistan, Bangladesh, Gambia, Guinea, Mozambique, Nigeria, Pakistan, Sierra Leone, Tajikistan, Uganda, Uzbekistan and Yemen</td></tr>
<tr><td>Inflation-Targeting framework
(3 countries)</td><td colspan="4">Albania, Indonesia and Turkey</td></tr>
<tr><td>Other
(6 countries)</td><td colspan="4">Azerbaijan, Egypt, Kyrgyzstan, Malaysia, Mauritania and Somalia</td></tr>
</table>

Notes: Adapted from Table 5.1 and Box 5.3. of the Annual Economic Report on the OIC Countries, 2012. The classification is based on the IMF Annual Report 2011. Somalia is excluded due to data unavailability.

Output Gap Estimations Results

To estimate the gap, data for GDP and annual percentage changes in Consumer Prices Index (CPI) are collected from each of the 56 OIC member countries over the period 1980 until 2011, subject to data availability. Somalia is excluded due to data constraint. Data are annual and sourced from the World Economic Outlook Database and the BASEIND Statistics Database (SESRIC). When data are not available, the calculations for average values are adjusted accordingly.

GDP is used as the proxy for real output and trend estimates. Data for GDP are in log values, constant 2005 United States dollar (USD). The CPI is used to indicate inflation and is measured in percentage changes. Output gap are measured as growth rates and calculated based on HP filter. The estimations are based on the changes in the gap rather than the level. The purpose is to examine whether the change in inflation is related to the change in output gap. If they are related, the level of inflation will tend to remain stable if the level of the gap is unchanged. The relationship would be observed and inferred based on the inspections of the visual plots of output gaps and inflation at both country and group levels.

In most cases, real GDP and its estimated trends for each country are displayed in the top panels of all figures. Real GDP is measured on the vertical axis in all figures. The scale for each country is different. The annual rates of inflation and the estimated changes in output gaps are displayed in the bottom panels. In all figures, output gap is measured on the left-hand side on the vertical axis in terms of growth rates. Inflation is measured on the right-hand side on the vertical axis in terms of percentage changes.
We first examine whether the actual GDP and its estimated trend have smooth trends over the years. The estimated trend is smooth if it follows the actual data closely. Second, we examine

whether the spikes in output gap are followed by similar spikes in inflation as an indication of close associations. The volatility of output growth and inflation are also studied by observing how far the data deviates from the mean. Third, we look for similarity in business cycles patterns and fluctuations for the group members. Two or more countries are considered as having similar business cycles if they display similar patterns in the gap model for more than half of the period being observed. The output gap estimations at country levels are conducted starting with Exchange Rate Anchor framework, followed by Monetary Aggregate Target, Inflation-Targeting and Other. The next section compares the performance of the gap model across different frameworks.

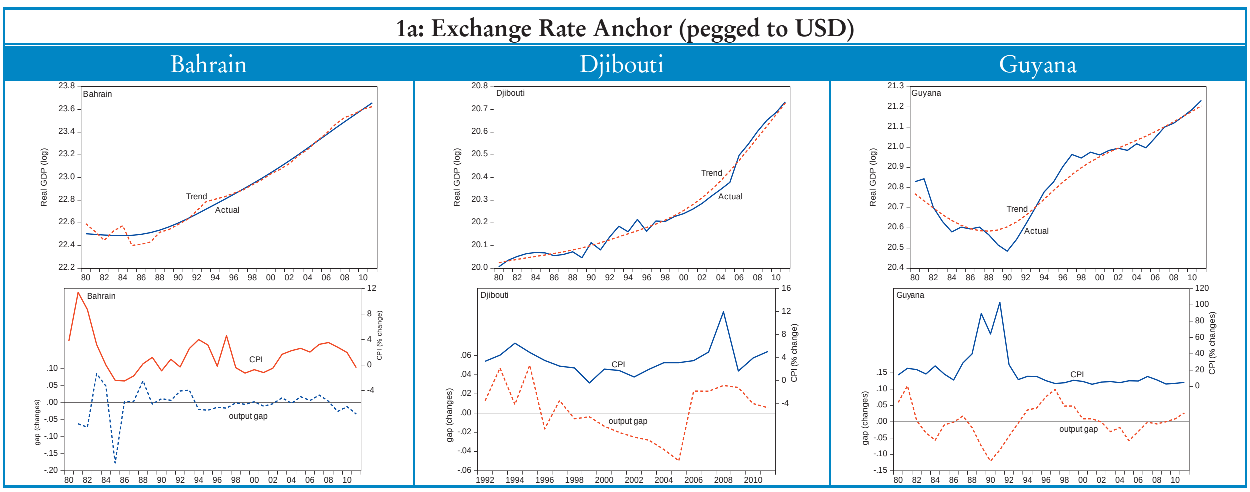
Output Gaps Estimations for Exchange Rate Anchor Monetary Policy Framework

Figures 6.1a to 6.1d provides estimates of trend GDPs and the output gaps for the group of 35 countries under Exchange Rate Anchor framework. These countries are further re-grouped according to their choice of monetary anchor of either USD (15 countries), Euro (12 countries), Composite (7 countries) and "Other" category (1 country). Due to a large number of countries involved, only relevant cases are highlighted with respect to GDP trend estimates, relationship between output gaps and inflation and similarity in business cycles as mentioned earlier.

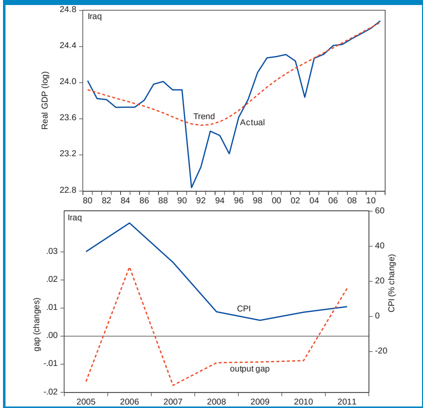
Figure 1a illustrates the results for 15 countries that pegged their currencies to USD. Bahrain, Jordan, Maldives, Oman and Sudan have relatively smooth trends of GDP estimates throughout the period. Iraq displays the largest deviations from trends during mid-1990s. The majority of other countries display smoother GDP trends estimates towards the end of 2000s. Meanwhile, close associations between output gaps and inflation are shown by Bahrain, Lebanon, Maldives, Oman, Sudan and the United Arab Emirates (UAE). Inflation is volatile in Maldives, Qatar, Saudi Arabia, Sudan and the UAE. However, most countries, in general, exhibit declining and stable trend of inflation in late 2000s. Djibouti, Maldives, Oman and Qatar show a tendency to have an increase in inflation in the near future.

Two distinctive business cycle patterns are detected (Iraq excluded due to short data span) based on Figure 1a. The first group includes Djibouti, Jordan and Kazakhstan. While the rest form another pattern, the difference being higher fluctuations in output growth in the latter group. This might be due to the Gulf war in 1991 that have affected some of them.

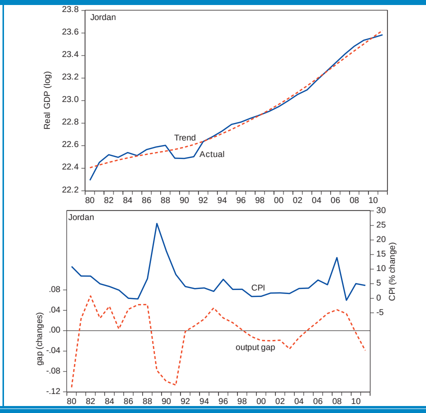
Figure 1: Output Gaps and Inflation under Exchange Rate Anchor Monetary Policy Framework



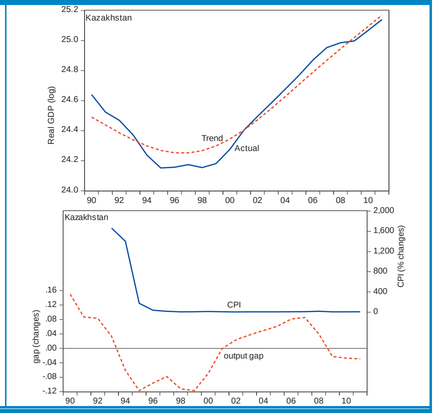
Iraq



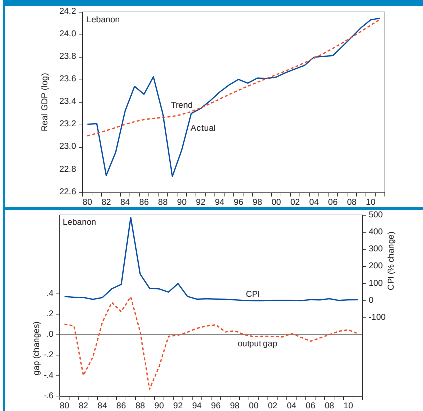
Jordan



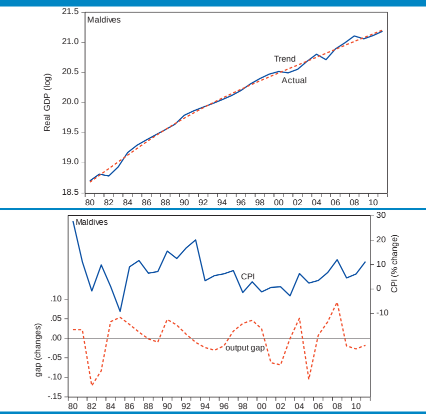
Kazakhstan



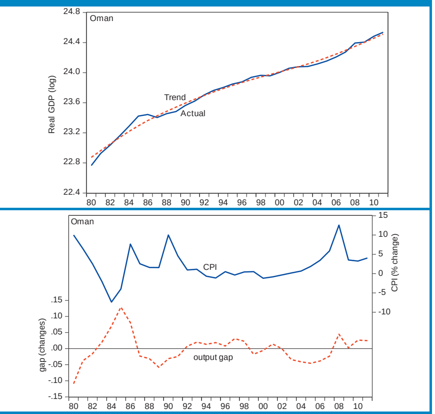
Lebanon



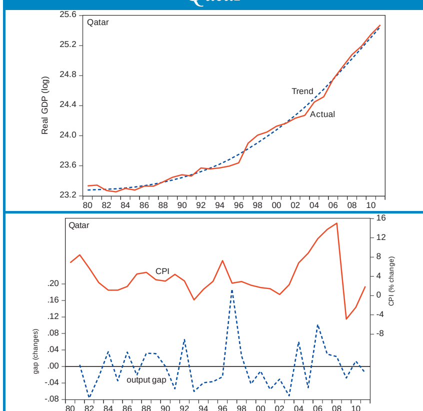
Maldives



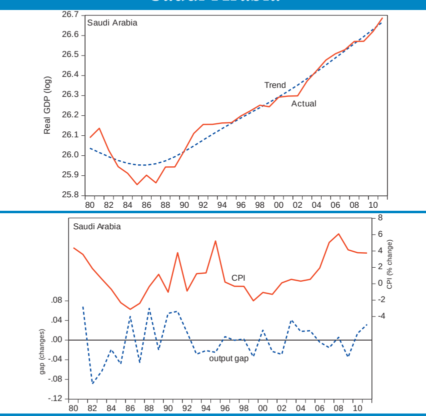
Oman



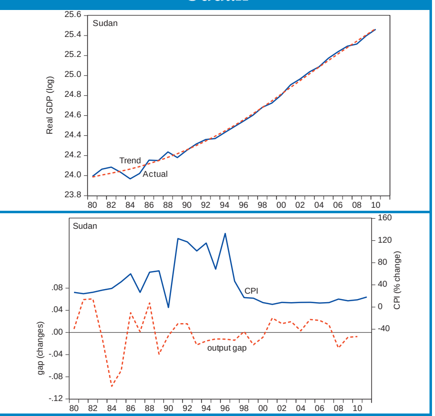
Qatar



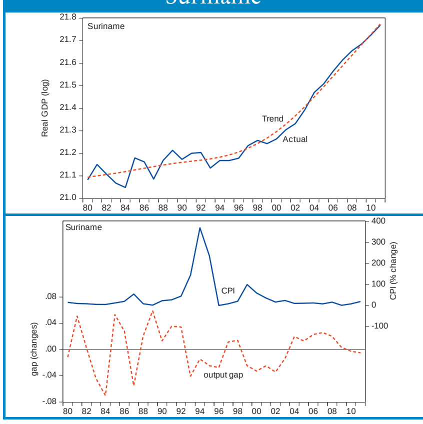
Saudi Arabia



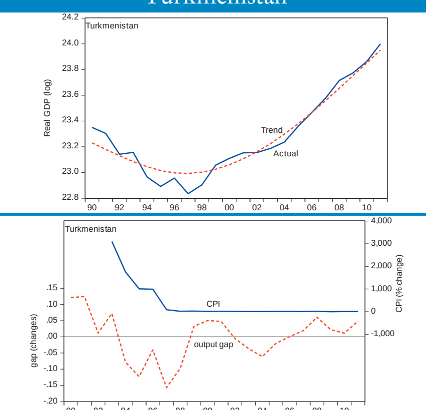
Sudan



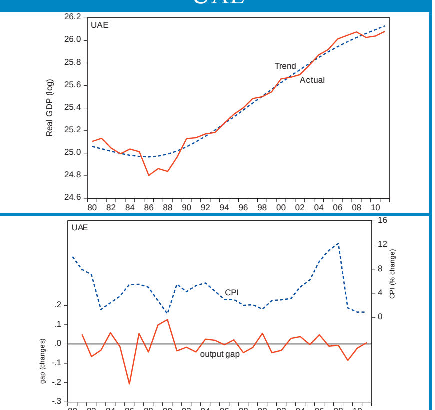
Suriname



Turkmenistan



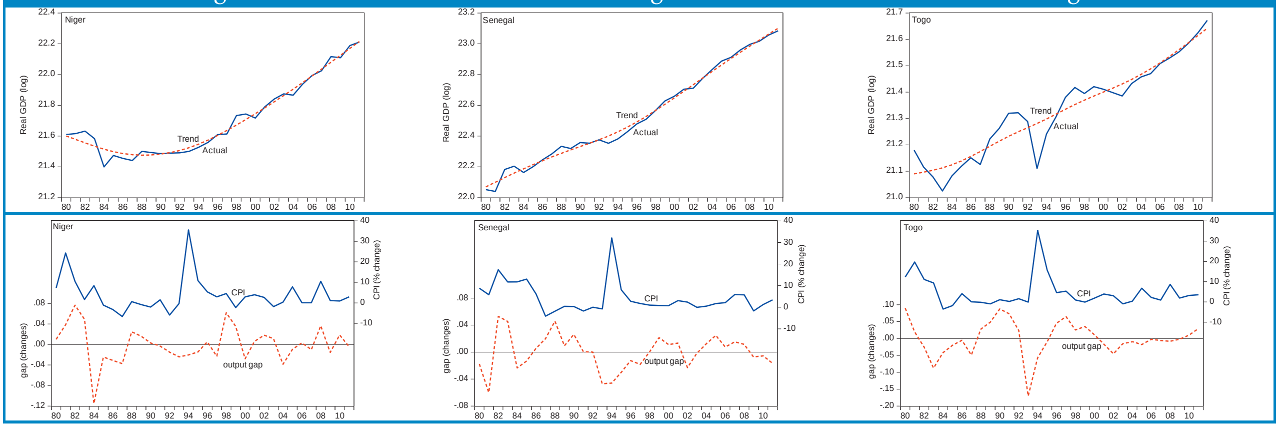
UAE



Meanwhile, Figure 6.1b displays the results for 12 economies that pegged their currency to Euro. Benin, Burkina Faso, Mali and Senegal have smoother trends between GDP and its estimates relative to other countries under this category. It is interesting to note that, in general, all countries under this category display similar business cycle patterns. However, all of them display overshooting episodes in inflation of more than 20 percent in 1994, which corresponds to the establishment of European Union. Afterwards, inflation are kept at a much lower levels compared to the pre-1994 period.

1b: Exchange Rate Anchor (pegged to Euro)

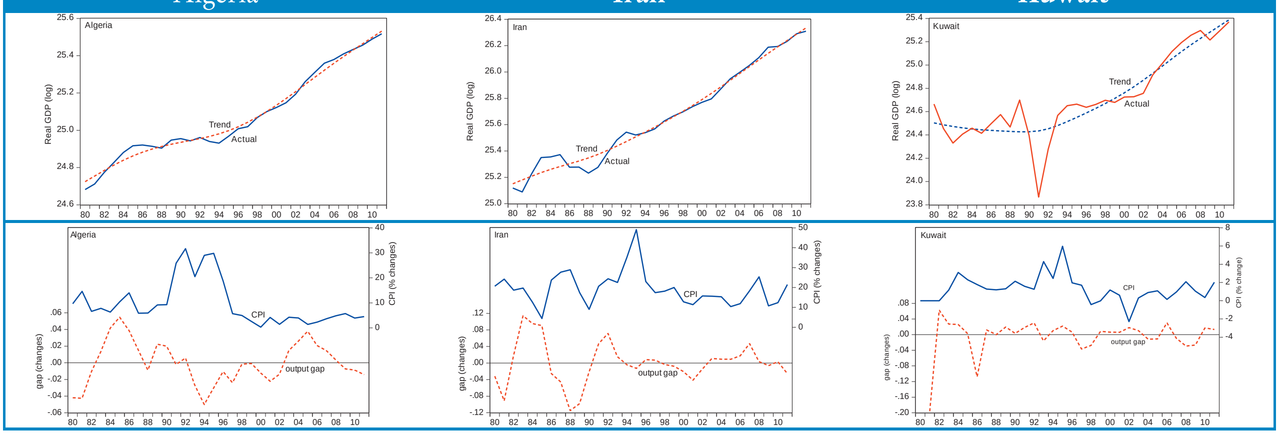
Niger | Senegal | Togo

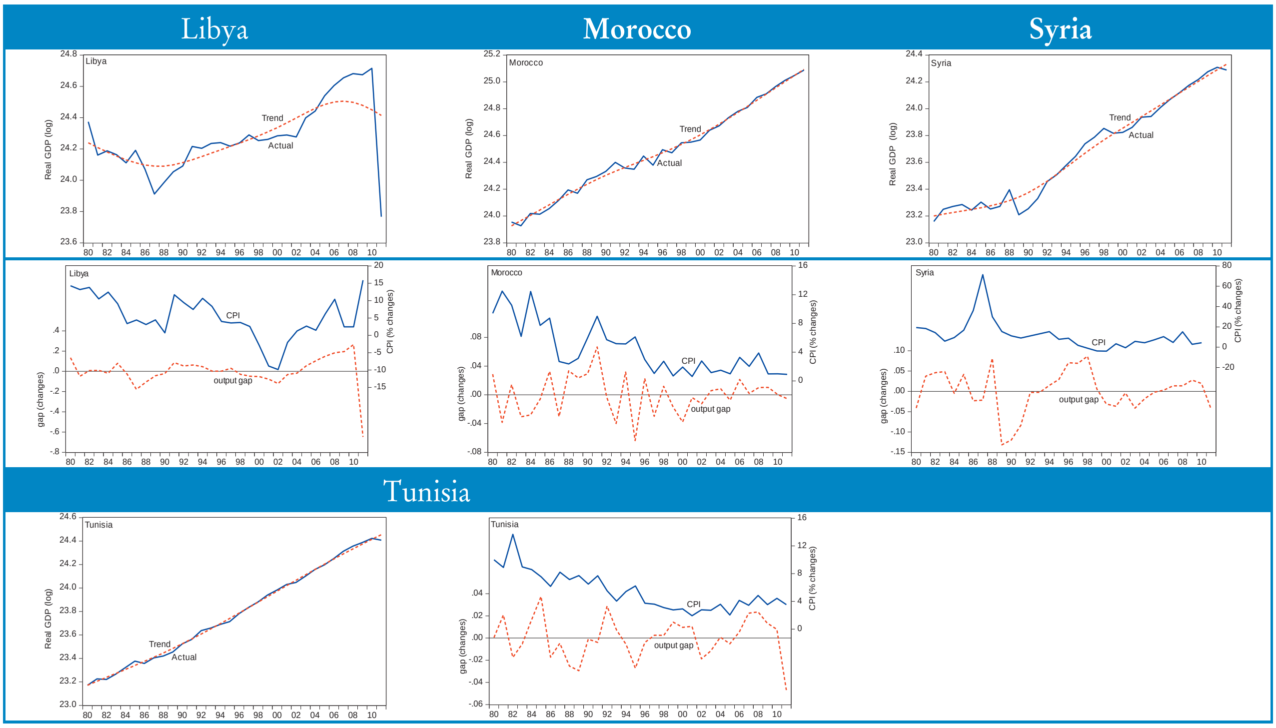


Figures 1c and 1d shows the results for the composite and other category which consists of eight countries. Based on the figures, only Tunisia displayed smooth trend between the estimated trend and actual GDP. Algeria, Iran, Morocco and Syria have smooth trends for major parts of the estimation periods with few noticeable deviations. Inflation is volatile during early 1980s in most countries. The highest spike in inflation is between 60 to 80 percent. Iran has the highest spike in positive output gap close to 12 percent while the highest negative spike was recorded in Brunei registering close to - 20 percent around 1984. Brunei becomes independent in 1984. The figures indicate four business cycles patterns. The first one represents Brunei and Kuwait, with almost a perfect match, exhibiting minimal fluctuations in output growth and low inflation. The second possible pattern is detected for Algeria and Iran. The third pattern covers

1c: Exchange Rate Anchor (composite peg)

Algeria | Iran | Kuwait





Morocco and Tunisia with highly fluctuating output growth but fortunately a declining inflationary trend. Lastly, Libya and Syria with a hint of negative output gap near the end of the estimation period, possibly due to the political unrest which started in 2010. In short, there are some close associations between output gaps and inflation episodes in some of these economies.

1d: Exchange Rate Anchor (other category)

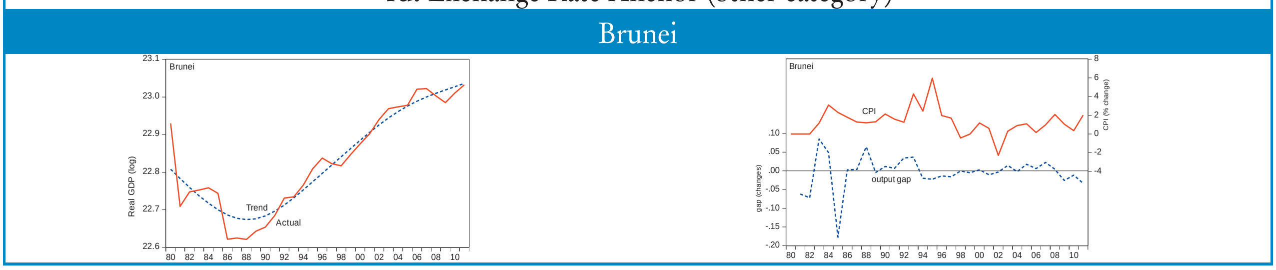


Table 2 lists the average annual growth rates for the countries involved. As a whole, the economy is growing but at a much faster rate than the trend, thus inflation is on the rise. However, the size of output gap is getting smaller over the years. Guinea-Bissau, Iran, Iraq, Kazakhstan, Lebanon, Sudan, Suriname, Syria and Turkmenistan recorded high average growth rates of inflation. Some of these countries managed to push down the rate to a single digit during 2000s, except for Iran, Iraq and Suriname. On the other hand, Maldives and Qatar show strong average economic growth higher GDP trend estimates, suggesting higher growth in future.

Output Gaps Estimations for Monetary Aggregate Target Framework

Figure 2 provides estimates of trend GDPs and the output gaps for the group of 12 countries under Monetary Aggregate Target framework. The visual plots for the trend estimates of GDP at the country levels indicate that eight countries (Bangladesh, Gambia, Guinea, Mozambique, Pakistan, Uganda, Uzbekistan and Yemen) have smoother trends, especially after 1990s relative to other countries in the group. Afghanistan, Sierra Leone, Nigeria and Tajikistan show some fluctuations of actual GDP around the trends but they seem to converge during late 2000s, suggesting a positive outlook for the economy in future.

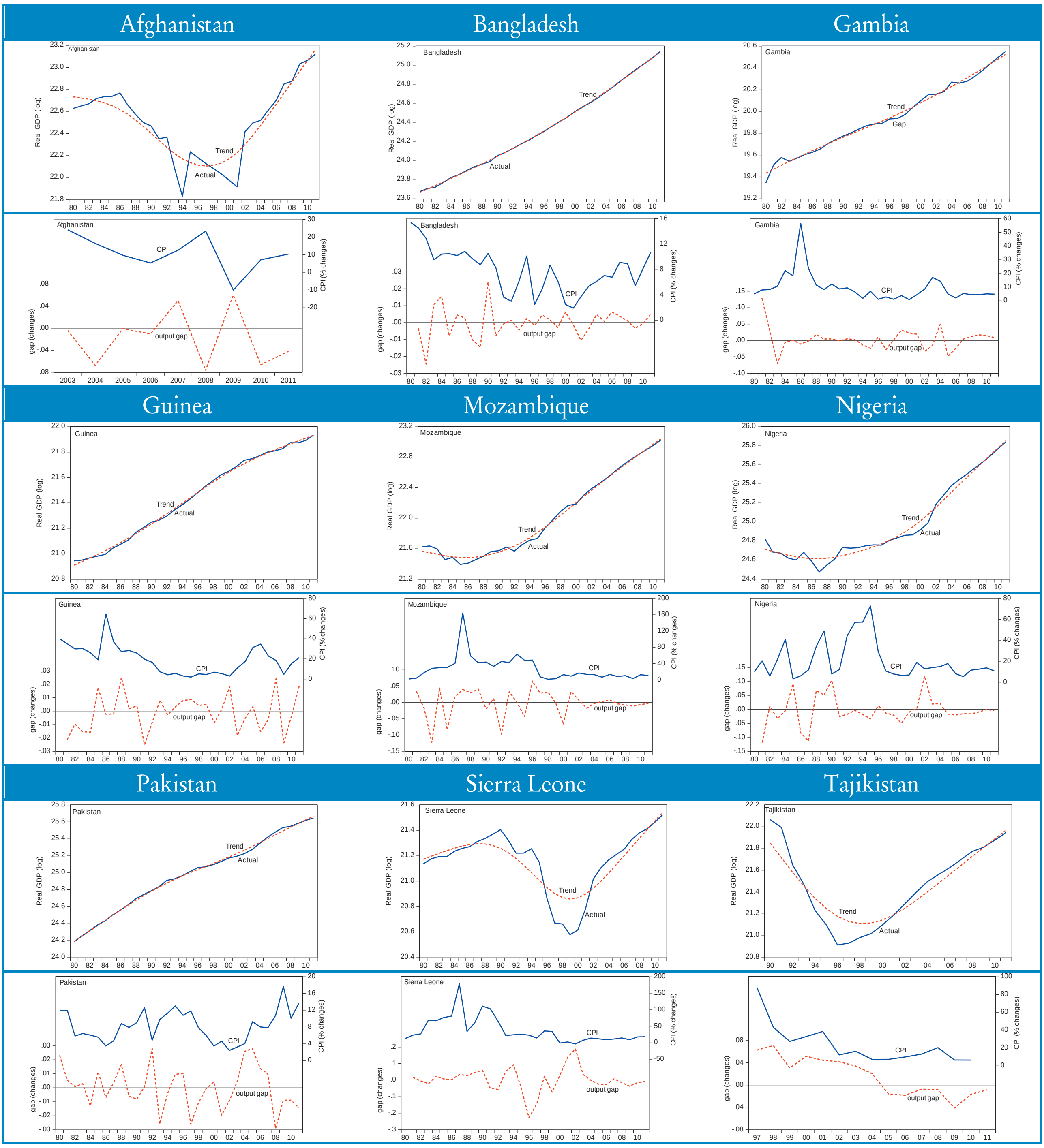
On the other hand, the gap estimations suggest that inflation track closely the movements in output gap for almost all countries. Both Bangladesh and Pakistan experience volatile trend of inflation, reaching double digit during late 2000s. It is common to observe that the spikes in inflation are much higher than the spikes in output gap and there are lags in the reactions.

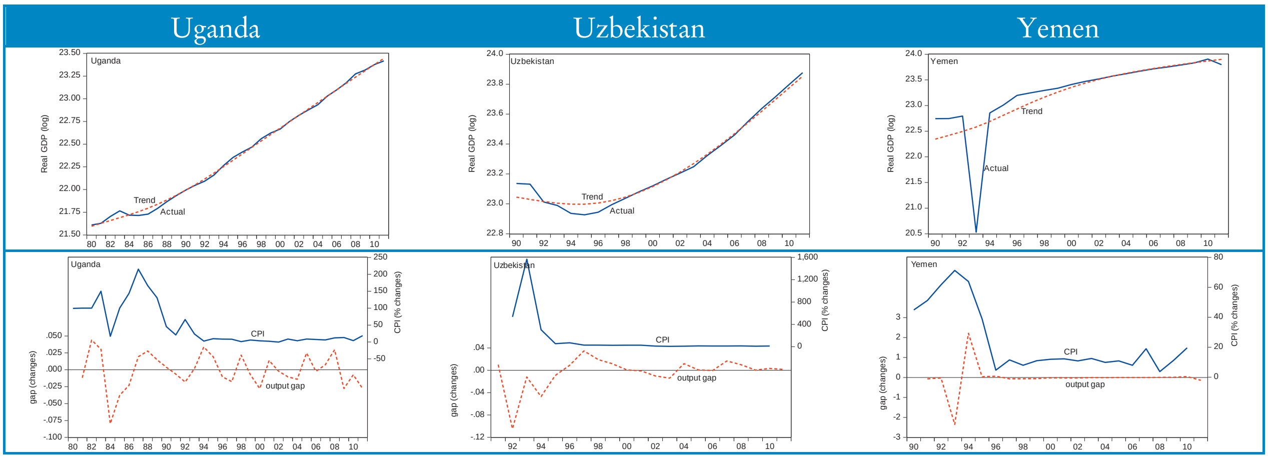
Table 2: Output Gap and Prices under Exchange Rate Anchor Framework (average annual growth rates)

Country under Exchange Rate Anchor Framework	Full Sample, 1980 - 2011				1980 - 1990s				2000s			
	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap
Weighted average for all countries	3.25	0.899	21.25	1.061	2.18	1.18	21.87	1.00	4.76	0.571	5.46	0.952
Average for individual country												
Algeria	2.70	1.27	9.66	1.00	2.18	1.20	13.43	1.00	3.55	1.39	3.38	1.00
Bahrain	3.49	1.45	1.61	0.99	2.26	1.30	1.70	0.99	5.56	1.73	1.44	1.00
Benin	4.21	1.50	4.25	1.00	4.38	1.49	4.97	1.01	3.92	1.52	3.05	1.00
Brunei	0.22	1.08	1.29	1.00	-0.59	1.03	1.65	1.00	1.58	1.16	0.70	1.01
Burkina Faso	4.38	1.59	4.02	1.00	3.71	1.48	4.81	1.00	5.50	1.79	2.71	0.99
Cameroon	2.12	1.19	4.98	1.01	1.32	1.07	6.49	1.02	3.45	1.42	2.46	1.00
Chad	5.75	1.84	4.28	1.00	4.28	1.68	5.00	0.99	8.20	2.11	3.09	1.01
Comoros	2.22	1.25	4.31	1.00	2.34	1.25	4.17	1.00	2.01	1.25	4.53	1.00
Cote d'Ivoire	1.16	1.17	4.83	1.00	1.65	1.21	6.05	1.01	0.34	1.11	2.80	0.98
Djibouti	2.50	1.29	3.54	1.00	1.40	1.13	3.38	1.00	4.34	1.59	3.64	1.00
Gabon	2.02	1.18	4.07	1.00	2.08	1.20	5.51	1.00	1.92	1.14	1.66	1.01
Guinea-Bissau	1.82	1.28	31.93	1.00	0.94	1.28	49.29	0.99	3.28	1.29	3.00	1.02
Guyana	1.44	1.17	18.71	1.00	0.99	1.10	26.41	1.00	2.19	1.29	5.86	1.00
Iran	3.50	1.41	19.34	1.00	2.66	1.33	21.87	1.00	4.91	1.54	15.12	1.00
Iraq	5.15	1.26	18.51	0.99	5.20	1.02	36.96	1.03	5.06	1.76	18.51	0.94
Jordan	4.58	1.48	5.23	1.01	3.82	1.32	6.05	1.01	5.84	1.79	3.86	0.99
Kazakhstan	2.71	1.35	180.03	0.98	-4.81	0.82	473.26	0.93	8.36	1.97	8.97	1.02
Kuwait	2.92	1.30	3.58	0.99	1.01	1.11	3.63	0.98	6.09	1.68	3.51	1.00
Lebanon	4.69	1.39	40.11	0.99	4.74	1.30	62.47	0.99	4.61	1.53	2.86	1.00
Libya	-0.6	1.06	5.32	0.94	-0.26	1.04	7.55	0.98	-1.16	1.09	1.59	0.89
Maldives	8.88	2.57	6.70	1.00	10.36	2.97	8.18	1.00	6.42	2.05	4.22	0.99
Mali	4.23	1.58	4.09	1.00	3.94	1.54	5.04	0.99	4.70	1.65	2.51	1.00
Morocco	3.84	1.42	4.42	1.00	3.38	1.38	6.02	0.99	4.60	1.50	1.75	1.00
Niger	1.96	1.23	3.83	1.00	0.71	1.06	4.55	1.00	4.04	1.56	2.64	0.99
Oman	5.98	1.67	2.12	1.01	6.58	1.77	1.74	1.01	4.99	1.53	2.75	1.01
Qatar	7.19	1.94	3.93	1.00	3.83	1.44	3.47	1.00	12.79	3.11	4.71	0.99
Saudi Arabia	2.20	1.19	1.06	1.00	1.24	1.11	0.50	0.99	3.81	1.34	1.99	1.01
Senegal	3.23	1.40	4.33	1.00	2.84	1.34	5.67	1.00	3.89	1.51	2.09	0.99
Sudan	5.00	0.00	39.30	1.00	3.93	1.46	56.99	1.00	6.95	0.00	9.81	1.00
Suriname	2.00	1.27	40.62	1.00	0.51	1.10	54.61	1.00	4.49	1.57	17.29	1.00
Syria	4.13	1.42	11.76	1.00	4.19	1.37	15.54	1.01	4.05	1.51	4.90	0.99
Togo	1.55	1.21	4.71	1.00	1.20	1.18	5.75	0.99	2.14	1.26	2.97	1.00
Tunisia	4.20	1.49	5.49	1.00	4.32	1.48	6.78	1.00	3.99	1.52	3.33	0.99
Turkmenistan	3.60	1.40	371.52	0.99	-2.63	0.80	996.04	0.98	8.27	2.13	7.22	1.00
UAE	4.16	1.36	4.50	0.99	3.85	1.27	4.34	0.99	4.68	1.52	4.78	0.99

Notes: The Data on CPI for Iraq started from 2005. Estimations for Kazakhstan and Turkmenistan started from 1990s. The weighted average is based on GDP for the period 1980 - 2011, normalized to 1. The weights are as follows: Brunei = 0.008; Algeria = 0.073; Bahrain = 0.009; Benin = 0.003; Brunei = 0.008; Burkina Faso = 0.004; Cameroon = 0.013; Chad = 0.003; Comoros = 0.0003; Cote d'Ivoire = 0.014; Djibouti = 0.0006; Gabon = 0.008; Guinea-Bissau = 0.0005; Guyana = 0.001, Iran = 0.136; Iraq = 0.026; Jordan = 0.009; Kazakhstan = 0.045; Kuwait = 0.053; Lebanon = 0.016; Libya = 0.016; Maldives = 0.0006; Mali = 0.004; Morocco = 0.042; Niger = 0.0025; Oman = 0.022; Qatar = 0.03; Saudi Arabia = 0.229; Senegal = 0.006; Sudan = 0.049; Suriname = 0.0017; Syria = 0.009, Togo = 0.0017; Tunisia = 0.021; Turkmenistan = 0.013; UAE = 0.111. Data for individual country is calculated based on the average values of the respective member country. Data for GDP covers the period 1980-2011 for most countries.

Figure 2: Output Gaps and Inflation under Monetary Aggregate Target Framework





Guinea and Mozambique display similar business cycles and inflation trends over the years. Bangladesh, Gambia, Nigeria and Sierra Leone display similar broad general profiles of relationship between output gap and inflation. Meanwhile, Tajikistan, Uganda, Uzbekistan and Yemen manage to keep changes in inflation at low rates while having fewer fluctuations in output growth. In short, the gap models are informative for most countries except for some irregularities.

Table 3: Output Gap and Prices under Monetary Aggregate Target Framework (average annual growth rates)

Country under Monetary Aggregate Target Framework	Full Sample, 1980 - 2011				1980 - 1990s				2000s			
	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap
Weighted average for all countries	4.27	1.52	24.13	0.99	2.92	1.38	40.18	0.99	6.36	1.75	9.87	1.00
Average for individual country												
Afghanistan	2.61	0.72	10.97	1.00	-2.23	0.72	-	1.00	10.67	2.39	10.97	1.01
Bangladesh	4.73	1.49	7.88	1.00	4.03	1.49	8.83	1.00	5.90	1.69	6.30	1.00
Gambia	3.91	1.45	9.47	1.01	3.62	1.45	11.33	1.01	4.39	1.58	6.38	1.01
Guinea	3.23	1.49	19.47	1.00	3.58	1.49	21.54	1.00	2.65	1.34	16.03	1.00
Mozambique	4.78	1.36	27.58	1.00	3.20	1.36	37.67	1.00	7.40	2.19	10.76	0.99
Nigeria	3.58	1.12	20.57	0.98	0.60	1.12	25.52	0.98	8.54	1.98	12.32	1.01
Pakistan	4.96	1.60	8.27	1.00	5.29	1.60	8.47	1.00	4.41	1.48	7.92	1.00
Sierra Leone	1.73	0.83	37.57	0.97	-2.26	0.83	54.44	0.97	8.38	1.86	9.45	1.05
Tajikistan	0.21	0.42	237.63	0.92	-10.25	0.42	586.62	0.92	8.06	2.14	15.55	1.01
Uganda	5.78	1.74	46.90	1.00	7.26	1.74	70.69	1.00	6.86	2.01	7.25	0.99
Uzbekistan	3.72	1.04	145.96	0.98	-0.49	1.04	326.88	0.98	6.88	1.89	14.39	1.00
Yemen	4.43	2.81	23.63	0.92	5.18	2.81	36.69	0.92	3.80	1.68	11.77	0.97

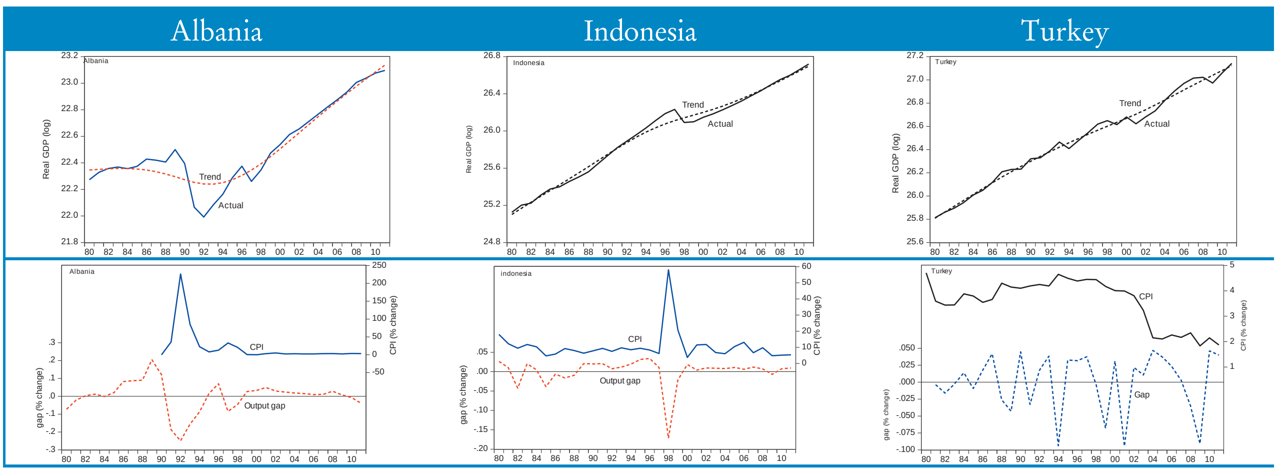
Notes: Data for GDP growth rate for Tajikistan, Uzbekistan and Yemen started from 1990s. CPI data for Afghanistan is from 2003, Tajikistan 1993, Uzbekistan 1994 and Yemen 1990. The average for the group is weighted based on GDP (average for individual country) for the period 1980 - 2011, normalized to 1. The weights are as follows: Afghanistan = 0.025; Bangladesh = 0.165; Gambia = 0.002; Guinea = 0.009; Mozambique = 0.017; Nigeria = 0.313; Pakistan = 0.314; Sierra Leone = 0.006; Tajikistan = 0.009; Uganda = 0.026; Uzbekistan = 0.054; and Yemen = 0.060. Data for individual country is calculated based on the average values of the respective member country. Data for GDP covers the period 1980-2011 for most countries.

Table 3 displays the average annual growth rates of relevant indicators. There are two pertinent points. First, the inflation is on the rise because as a group, on average, the economies have excess capacity. Inflationary pressures are alarming in Tajikistan and Uzbekistan. For the 2000s average, seven out of 12 countries have double-digit percentage changes in inflation. Second, the trend GDP estimates are mostly higher than one percent. However, it would be challenging to sustain growth in the presence of rising inflation.

Output Gaps Estimations for Inflation-Targeting Framework

Figure 3 illustrates real GDP and its estimated trend and the gap model for the Inflation-Targeting framework. Albania, Indonesia and Turkey fall under this category. For the trend estimations, both Albania and Turkey do not have smooth trends between real GDP and its trend. Indonesia shows deviations during late 1990s, with the economy showing signs of overheating before the 1997 financial crisis. As for the gap analysis, inflation remains stable following small changes in output gap after 2000s. Indonesia was badly affected during the 1997 Asian financial crisis where the negative spike in output gap reached the lowest point of more than 15 percent yet inflation soared to almost 60 percent.

Figure 3: Output Gap and Inflation under Inflation-Targeting Framework



The visual plots are supported by the data in Table 4, in which for the period 1980 to 2011, all three economies have double-digit percentage changes in CPI. However, average CPIs in 2000s was much lower and stabilizing, reflecting effective management. However, the economies are operating in excess capacity through-out the period, indicating a possible rise in inflation. The gap model seems to be able to track inflation quite well for Albania and Indonesia after 2000s but not for Turkey, registering double-digit percentage changes in inflation since 1980s until present.

Table 4: Output Gap and Prices under Inflation Targeting Framework (average annual growth rates)

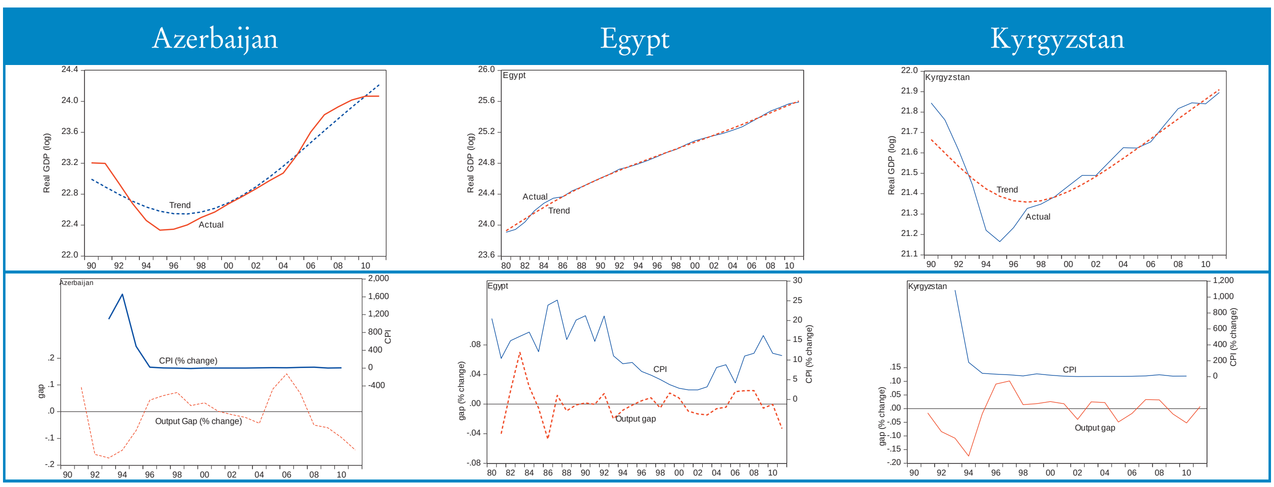
Country under Inflation-Targeting Framework	Full Sample, 1980 - 2011				1980 - 1990s				2000s			
	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap
Weighted average for all countries	4.61	1.11	33.64	1.001	3.68	1.12	54.95	1.001	4.83	1.10	15.64	1.003
Average for individual country												
Albania	3.00	1.061	22.76	1.00	1.52	1.126	49.33	1.00	3.00	1.103	2.82	1.00
Indonesia	5.16	1.012	10.53	1.01	4.15	1.138	15.32	0.99	5.25	1.105	7.93	1.00
Turkey	4.30	1.142	47.86	0.99	3.44	1.106	79.08	1.02	4.61	1.098	20.55	1.01

Notes: Data on CPI for Albania is available from 1990 onwards. The average overall for the Inflation-Targeting Framework is weighted based on average GDP for all countries for the period 1980-2011, normalized to 1. The weights are as follows: Albania = 0.0118; Indonesia = 0.374; Turkey = 0.615. Data for individual country is calculated based on the average values of the respective member country. Data for GDP are from 1980-2011.

Output Gaps Estimations for Other Monetary Policy Framework

The GDP and its estimated trends are shown in Figure 6.4 for the under Other category viz. Azerbaijan, Egypt, Kyrgyzstan, Malaysia and Mauritania. Based on the figures, Egypt and Malaysia have relatively smooth trend of GDP compared to other countries. Prior to 2008 financial crisis, actual GDP exceeded its potential all five economies. Egypt, Malaysia and Mauritania display close associations between the spikes of inflation and output gap. However, there are some occasions where the spikes in output gap are not accompanied by similar rise in inflation for some of the countries. Mauritania shows the most volatile fluctuations in inflation. However, the degree of fluctuations is considerably much lower than Azerbaijan and Kyrgyzstan, both having inflation spikes in the range of 400 -1,600 percent during early 1990s. These two countries display quite similar economic cycles, where average percentage changes in CPI were below 10 percent in 2000s. The highest spike for inflation is close to 2,000 percent in Azerbaijan. The lowest negative gap is 15 percent for Kyrgyzstan and the highest positive gap is more than 10 percent in Mauritania just before the occurrence of the 2008 global financial crisis.

Figure 4: Countries under Other Monetary Policy Framework



Malaysia	Mauritania

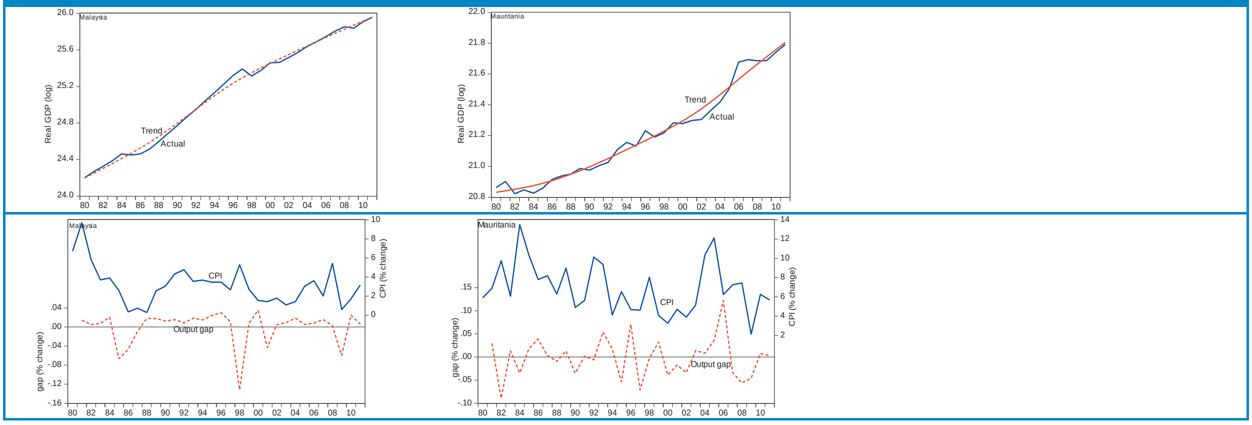


Table 5 lists the average growth of actual and trend GDP, CPI and the output gap for the group. The overall picture indicates that the average growth trend is larger for output gap, smaller for trend estimates tied with small changes in actual GDP. The growth in some of the economies, although impressive, might be distorted by rising inflationary pressures as illustrated by Azerbaijan and Kyrgyzstan. These two economies might consider adopting a specific policy anchor or move into Inflation-targeting framework to balance their growth equation.

Table 5: Output Gap and Prices under Other Monetary Policy Framework (average annual growth rates)

	Full Sample, 1990 - 2011				1980 - 1990s				2000s			
Country under Other Category Framework	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap	Actual GDP	Trend GDP	CPI	Output Gap
Weighted average for all countries	5.46	1.662	101.37	0.997	5.26	1.657	216.43	1.05	5.30	1.595	7.67	1.08
Average for individual country												
Azerbaijan	6.61	1.77	178.07	0.99	-3.85	0.66	471.10	0.94	12.72	3.72	7.14	0.99
Egypt	4.70	1.66	11.80	1.06	4.08	1.73	10.86	1.04	4.71	1.55	7.81	1.06
Kyrgyzstan	1.92	1.13	80.15	1.00	-2.25	0.72	201.73	0.98	4.35	1.60	9.22	1.00
Malaysia	5.97	1.69	3.13	1.10	7.25	1.80	3.70	1.06	4.96	1.52	2.24	1.10
Mauritania	3.12	1.40	6.89	1.00	2.44	1.28	6.21	1.00	3.82	1.63	6.21	1.00

Notes: Somalia is excluded due to data unavailability. Data on GDP for Azerbaijan and Kyrgyzstan started from 1990, CPI annual percentage changes are available from 1993-2010. The average overall for the `Other` Monetary Policy Framework category is weighted based on average GDP for all countries for the period 1990 – 2011, normalized to 1. The weights are as follows: Azerbaijan = 0.058; Egypt = 0.380; Kyrgyzstan = 0.011; Malaysia = 0.543; Mauritania = 0.009. Data for individual country is calculated based on the average values of the respective member country.

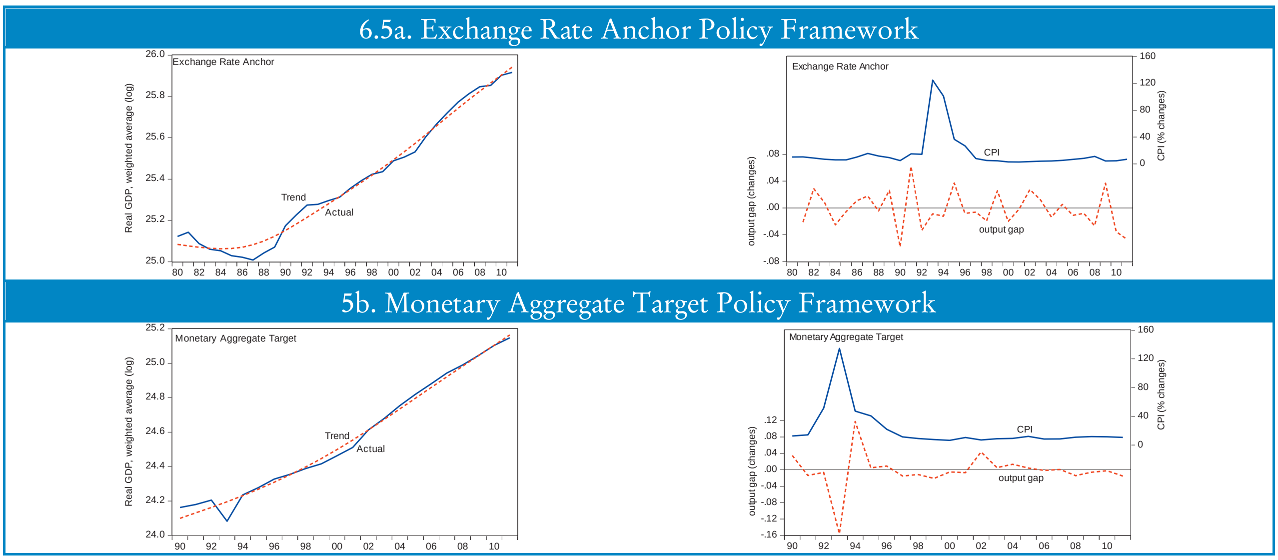
Does the Gap Model Work in OIC Economies?

To compare the performance across the four monetary policy frameworks, the average values for the group is calculated, weighted based on real GDP. Figure 5a to 5d illustrates the trends. The results suggest that the Monetary Aggregate Target framework have smooth trend estimates and the output gaps track the inflation well after mid-1990s. The gap model also works reasonably well in the Exchange Rate Anchor framework, showing low and stable changes in inflation after mid-1990s. However, there is a small degree of fluctuations in output growth and the trend estimates is not as smooth as the monetary aggregate target framework towards the end of the estimation period. Meanwhile, the "Other" category policy framework has the best fit for real GDP and its estimated trends, but the gap model shows some inconsistencies. As for the Inflation-Targeting framework, the trend estimates are smooth only up to early 1990s. The output gap and inflation display similar ups and downs swings but the gap model was not able to capture the stable and declining trend of inflation during mid-2000s. These results are consistent with the country level analysis conducted earlier.

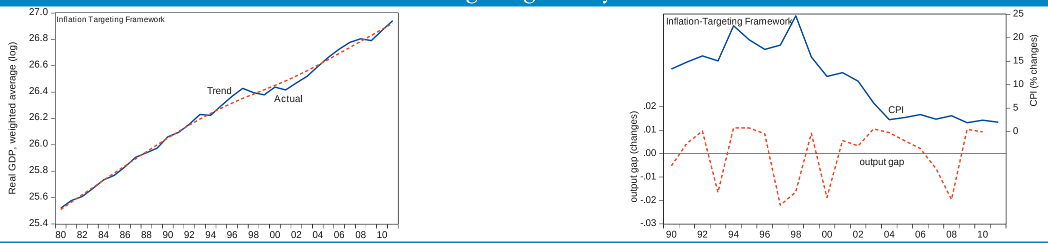
External factors might also hold up inflation, for example financial crisis, rising oil and commodities prices, war, natural disasters and trade imbalances. For examples the 1984 food crisis in Africa, the Gulf war in 1991, the establishment of European Union in 1994 and the regional Arab Spring that began in 2010. These events contributed to high spikes occurrences in either output gaps or inflation, or both.

In addition, there are cases where negative output gaps are accompanied by rising inflation. There are also lags between spikes in output gaps and the spikes in inflation. The literature suggests this might indicate that inflation, at both level and changes, are equally important to policy makers. Other possible explanations include the 'speed limit' and asymmetric effects. The first one refers to the rise in inflation due to a reduction in output gap even though output does not rise above its potential level. The second one refers to the inflationary effect of output being above potential is greater than the deflationary effect of output being below potential.

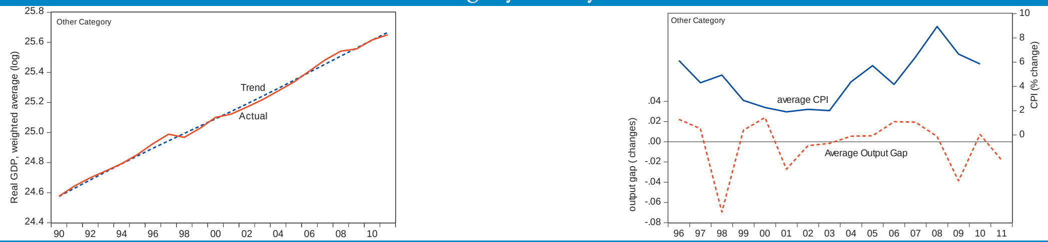
Figure 5: Comparisons of the Four Different Monetary Policy Framework (weighted average values)



5c. Inflation Targeting Policy Framework



5d. Other Category Policy Framework



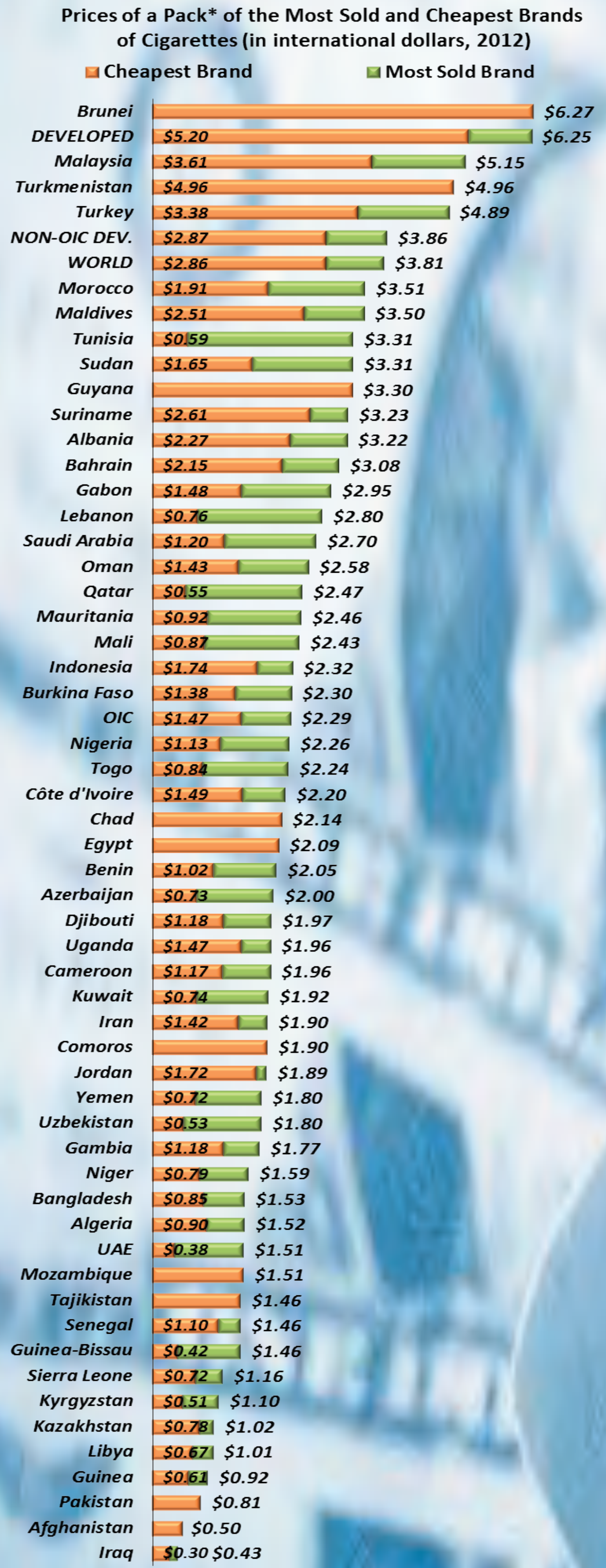
Final Remarks

The output gap is used in assessing the degree of demand-pull inflationary pressure in the economy at a particular time. It is also important for understanding macroeconomic fluctuations in order to design appropriate policy responses. The results of the output gaps estimates for the 56 OIC countries indicate that the output gaps estimates do have important information content in predicting inflation in some member countries. The visual plots provide a general assessment of the macroeconomic policies stance and economic outlook over the years.

There is a clear indication of rising inflationary pressures in some member countries during mid-1990s. However, majority of them experience a downward trend of inflation accompanied by less volatile output growth by mid-2000s. This indicates positive economic outlook and the ability to sustain economic growth in the long run without inducing inflation. Nonetheless, output gap estimates should be used along with other macroeconomic indicators in modeling and forecasting inflation.

As a conclusion, the information content of output gap estimations has significant policy implications. For countries considering moving into a more flexible exchange rate arrangements within or across monetary policy frameworks, understanding macroeconomic fluctuations is of utmost importance. For the OIC countries as a whole, in cases where the gap model is able to explain inflationary pressures, these economies are the prime candidates of converging towards forming a currency union. The question is how do we decide the choice of currency for the union? We leave this question for future research.

DID YOU KNOW?



Source: WHO Report on Global Tobacco Epidemic, 2013
** A pack includes 20 pieces.*
***PPP not available for Palestine, Somalia and Syria.*

- Based on the methodology used by PovcalNet, the online poverty analysis tool of World Bank, more than 1.2 billion people in the world are living on less than $1.25 a day at international prices. The figure increases to 2.3 billion people if the poverty line is chosen as $2 per day.

- Meanwhile, for the pack of the most sold brand of cigarette, a smoker pays even more than $1.25 *($2)* in 46 *(27)* OIC member countries.

- The OIC average price of the pack is $2.29 for the most sold brand and $ 1.47 for the cheapest brand of cigerettes, respectively.

- In Brunei, the price is higher than the average of the developed countries, $6.25. The pack is being bought at a price greater than the world average, $3.81, in Malaysia, Turkmenistan and Turkey, as well.

- On the other extreme, a pack is sold less than $1 in Guinea, Pakistan, Afghanistan and Iraq.

SESRIC Hosted the 9th International Conference on Islamic Economics and Finance

9-10 September 2013, Istanbul-Turkey

Jointly with the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank Group, Qatar Faculty of Islamic Studies (QFIS) of the Qatar Foundation's Hamad Bin Khalifa University, and the International Association of Islamic Economics (IAIE), SESRIC has organized the 9th International Conference on Islamic Economics and Finance (9ICIEF). The Conference was held in WOW Convention Centre in Istanbul, Republic of Turkey, on 9-10 September 2013 under the theme "Growth, Equity and Stability: An Islamic Perspective".

The Conference provided a distinct opportunity to discuss many and various pressing issues in Islamic economics and finance through plenary sessions as well as parallel sessions where more than 130 papers were presented and discussed. The authors of these papers are academicians and post-graduate students from 32 countries around the world.

The Conference included 30 parallel sessions two plenary sessions, one symposium on "Islamic Economics and Finance Education" and one workshop on "Integration of Waqf and Islamic Microfinance Institutions for Poverty Reduction".

The Conference sessions covered a wide range of topics related to the development in the field of Islamic economics and finance. They included discussions on theoretical issues in Islamic economics and finance by focusing on various technical and sharia-related issues. Socio-economic justice, human development, business ethics and morality were among the major topics discussed during the Conference. Current practical challenges have also been widely discussed. Authors identified major challenges of the field and presented novel approaches to the challenging issues. Zakah, waqf and microfinance institutions were also among the hot topics of the Conference. Last but not least, different views on policy reforms and regulatory framework to facilitate the institutional development of Islamic financial markets have been reflected during the Conference.

Over the last four decades, since 1976 where the 1st ICIEF was held in Makkah al-Mukarramah, the series of this Conference played a significant role in enriching the literature and the agenda for contemporary research in Islamic economics and finance and thus promotes the official global recognition of Islamic economics and finance as a modern scientific discipline. In this regard, Islamic economics and finance has recently showed a high potential as a new paradigm, particularly in the aftermath of the latest global financial crisis and given the current economic and political changing environment in OIC member countries.

In this connection, the Conference is considered as a platform for dialogue and discussions between academics, researchers, graduate students, policy-makers, and practitioners, with a view to contribute to the process of mobilizing quality policy-oriented and basic research in the field of Islamic economics, banking and finance, focusing on issues related to inclusive economic growth, equity, poverty alleviation and macroeconomic stability.

While a significant progress has been made over the last four decades, the focus of research has moved primarily to Islamic banking and finance, and there is a need to work more on economic theory and its applied and practical applications from an Islamic perspective. In this connection, the Conference emphasised the role of educational institutions in enriching the literature and the agenda for contemporary research in Islamic economics, as well as their role in promoting and enhancing the production of basic and applied research to support the Islamic financial industry. The Conference also underlined the need to highlight the role of Islamic finance in economic development and the potential of zakat, awqaf and voluntary sectors in promoting financial inclusion and contributing to policy discourse on poverty alleviation.

On the other hand, the Conference emphasised that, in practice, serious efforts should be made to ensure the realization of the institutional and policy aspirations of the original Islamic economic thinking. In particular, it highlighted that special efforts should be made to ensure that the basic fundamentals of Islamic economics and finance support the process of mobilisation and allocation of funds to generate productive real economic activity based on the profit-loss sharing principle.

The participants welcomed the offer of the Qatar Faculty of Islamic Studies (QFIS) of the Qatar Foundation's Hamad Bin Khalifa University, and the International Association of Islamic Economics (IAIE) to organize and host the 10th ICIEF in Doha during December, 2014.

PRIVATE PARTICIPATION IN INFRASTRUCTURE IN OIC COUNTRIES

*SESRIC**

INTRODUCTION

A well-functioning and efficient infrastructure is highly instrumental for economic and social development. It increases living standards, attracts more businesses, and supports the production process of agricultural and manufactured goods by reducing costs. It also helps economic integration and facilitates trade as it eases the access to goods and services. Better transport and communication links make it easier for many countries to access international markets, which is particularly of significant importance for landlocked countries. Infrastructure projects also have a stimulus effect in the economy and they are very likely to increase employment, not just for short term construction purposes but also for the longer term, as infrastructure facilities are believed to draw more companies in their areas. Following a demand-side approach, it can also be said that infrastructure projects create a demand for skilled labour and intermediary materials to be used as inputs. Responding to this demand, initiatives such as labour training or local production of intermediary materials can be undertaken, which will further benefit the economy in the long term.

Bearing the above mentioned advantages in mind, today's developed nations had been investing in infrastructure for many years. However, lack of infrastructure still remains a major challenge in developing and least developed countries. Some of the biggest challenges to investment in infrastructure in these countries include lack of government resources, inefficiency of state owned enterprises, unskilled labour and low levels of technology. To remedy this problem, private companies are increasingly given infrastructure projects by different contract types, varying according to the necessities of the particular project and country.

Using the World Bank Private Participation in Infrastructure (PPI) Database, this report analyses the tendency of private participation in infrastructure in 49 OIC member countries[5] between 1990 and 2011 and compares the position of OIC countries with non-OIC developing countries to make assessments on the number of projects, total investments and deal types. However, the average performance of non-OIC developing countries are highly influenced by four leading emerging economics, namely Brazil, Russia, India, and China (BRIC countries). High infrastructure investment in these countries induces marked differences in the amount of private participation in infrastructure and number of projects. For that reason, the average performance of OIC countries is compared with non-OIC developing countries as well as non-OIC developing countries excluding BRIC (henceforth non-OIC/non-BRIC).

According to the database, there are four major areas for infrastructure investment, which are also accordingly considered in this report. These are energy, transport, telecom and water and sewage. These infrastructure investments are also classified under four contract types, including

[5] The data are not available for Bahrain, Brunei, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates. The database also does not cover developed countries.

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management and lease contracts, concessions, Greenfield projects, and divestitures. Management and lease contracts leave the operation and management of a state owned facility to a private entity while the state still remains the decision maker. Concessions also leave the management to a private entity; however the private entity bears an important part of investment risk. Greenfield projects take place when a private entity or a public-private joint venture builds a new project and then operates it for a fixed period. Divestitures on the other hand are privatization projects, they occur when private companies buy shares of a state owned enterprise (see World Bank 2013a for detailed definitions).[6]

Private Participation in Energy Infrastructure

Energy infrastructure covers natural gas and electricity generation, transmission and distribution (World Bank 2013a). Between 1990 and 2011, 379 private participation in energy infrastructure projects reached contractual or financial closing in 49 OIC countries, comprising of investment commitments of $112.3 billion.

Total private investment in the OIC countries increased more than three-fold in 1993 with the impact of the increase of private activities in Morocco, Malaysia and Algeria, which involved investment commitment of $5.9 billion, 90% of total private investment in OIC countries (Figure 7.1a). After this rising tendency between 1994 and 1997, however, the implemented number of projects fell by 50% in 1998 explained by large decline in investments of major OIC countries. With the global trend of credit expansion between 2003 and 2007, large energy projects began to be implemented in OIC member countries again. This positive trend ended when private investment in 2008 had a slowdown after the global financial crisis. With the moderate recovery stimulus in world economy, it then reached to its historically highest level of $10.8 billion in 2011.

Energy investment in OIC countries between 1990 and 2011 was concentrated in five counties that made up 77% of total private participation in energy infrastructure on their own. Turkey had by far the most active private sector with 94 projects worth $32.8 billion in total, which constituted 29% of total investment in OIC countries (Figure 7.1b). Turkey was followed by Indonesia, Malaysia, Pakistan and Morocco, which represented the remaining 48% of total investment with 125 projects. Twelve countries located in Central Asia and Sub-Saharan Africa reported no energy infrastructure projects at all.

Between 1990 and 1996, OIC, non-OIC and non-OIC/non-BRIC countries have indicated similar progress of development in private energy infrastructure investment. However, with enormous growth in private activity in

Figure 7.1a: Total Investment through Private Participation in Energy Projects in OIC Countries

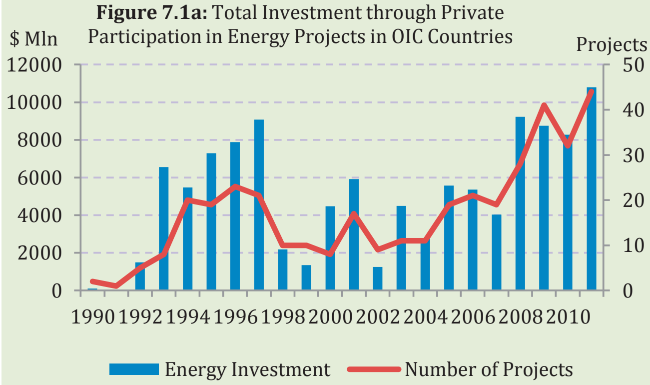
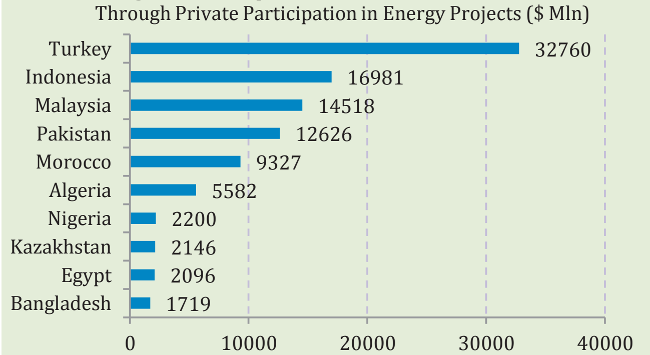


Figure 7.1b: Top OIC Countries in Total Investment Through Private Participation in Energy Projects ($ Mln)



6 A statistical annex is available online at http://www.sesric.org/files/article/464.pdf. It includes the dataset covering the amount of total investment and number of projects by deal types between 1990 and 2011 through private participation in energy, telecom, transport and water and sewage infrastructure in developing OIC member countries.

BRIC countries in 1997 and 1998, total non-OIC investment has sharply increased. India, Russia, China, and Brazil spent $36 billion in 1997 and 1998 for investment in total, which was $6.8 billion more than the total investment of other non-OIC countries (Figure 7.1c). However, following the drastic fall in investments in BRIC countries after 2000 and comparatively low private activity level in the rest of non-OIC countries, the total infrastructure investment through private participation has declined from $35.1 billion in 1997 to $10.3 million in 2004 in non-OIC developing countries. With $240 billion total private investment in BRIC countries in seven years during 2005-2011, total investment in non-OIC countries saw a huge rise and reached a total of $322 billion during this period, while OIC countries witnessed $52 billion investment in energy sector during the same period. Although OIC member countries had been able to show similar trends with non-OIC/non-BRIC countries, the total investment gap between OIC and non-OIC countries grew massively especially after the growth of private activities started to take off in BRIC countries after 2004. At a time when other countries experienced a fall in total investments, total investment in OIC countries exceeded for the first time the $10 billion threshold and reached $10.8 billion in 2011.

Private investments in energy projects in OIC countries were concentrated mostly on Greenfield projects which accounted for 75% of investment worth $83.9 billion (Figure 7.1d). Concessions were the second most widespread type of private participation, accounting for $18.8 billion of investment, 16.7% of the total OIC investment between 1990 and 2011. Although by number of projects, divestitures were slightly above concessions (four more projects) their contribution has reached only $9.5 billion, explaining 8.5% of total investment in OIC countries.

Private Participation in Transport Infrastructure

Transport infrastructure consists of airport runways and terminals, railways, toll roads, bridges, highways, tunnels, port infrastructure, terminals, superstructures, and channels (World Bank 2013a). It plays a significant role in economic development through improving the freight industry and transfer of agricultural, manufacture products, raw and intermediary materials. During the period of 1990-2011, 210 private transport infrastructure projects took place in OIC countries, involving investment commitments of $48.7 billion.

There has been a progressive growth in private investment until 1997 owing to high private participation in Malaysia, which accounted for 80% of total OIC investment during 1993-1997 with approximately $9.8 billion total investment (Figure 7.2a). With the slowdown of private activities in major OIC countries, especially in Malaysia and Turkey, total annual investments

Figure 7.1c : Total Investment through Private Participation in Energy Projects ($ Mln)

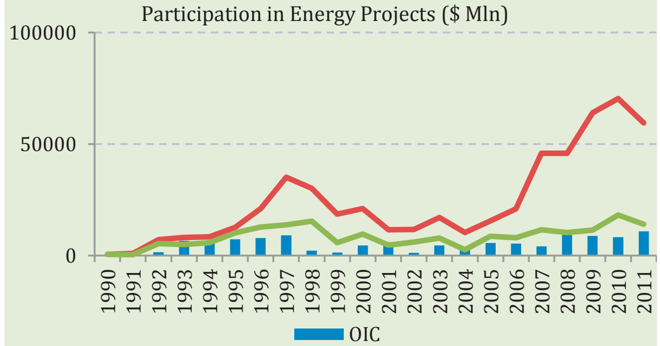
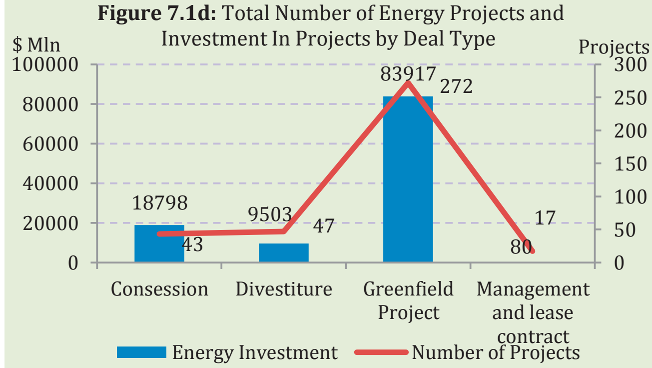


Figure 7.1d: Total Number of Energy Projects and Investment In Projects by Deal Type



remained below $2 billion during 1998-2004 and annual private investment fell even below $110 million in 2002. However, with the stimulus impact of Turkey, Nigeria, Malaysia and Indonesia during 2005 and 2007 with totally $11.4 billion in private transport investment explaining 67% of total OIC investment, total private activity in OIC member countries increased to $6.7 and $7.6 billion in 2005 and 2007, respectively. The number of projects and the volume of investments fell after 2007, pointing out the adverse effects of the financial crisis. In 2009, total annual investment in OIC countries declined to $1.3 billion, but increased again to $2.5 billion in 2011.

From 1990 to 2011, private participation in transport infrastructure in OIC countries was concentrated mainly in two countries, Malaysia and Turkey, accounting for 55% of total private transport infrastructure investment with 65 projects (Figure 7.2b). Malaysia had the largest amount of private investment in transport infrastructure by implementing 35% of total OIC projects, $16.8 billion in value. Private transport infrastructure investment in Turkey represented 20.2% of total investment in 49 OIC countries and it was worth $9.8 billion. Despite major private participation in major OIC countries, 15 countries located in central Asia and sub-Saharan Africa have reported no transport infrastructure project between 1990 and 2011.

While private investment in transport in OIC countries followed an upward trend during 1990-1997, non-OIC developing and non-OIC/non-BRIC developing countries have displayed investment growth in transport infrastructure at a rather slow rate between 1990 and 1995 (Figure 7.2c). In 1996, although non-OIC/non-BRIC countries had total investment commitments of $3 billion, only Brazil and China had $4.4 and $5.1 billion private investments in transport infrastructure projects, respectively, explaining the drastic rise in average investment in non-OIC countries (OIC and non-OIC/non-BRIC countries accounted for less than two-fifth of total investment in the same year). With the

Figure 7.2a: Total Investment through Private Participation in Transport Projects In OIC Countries

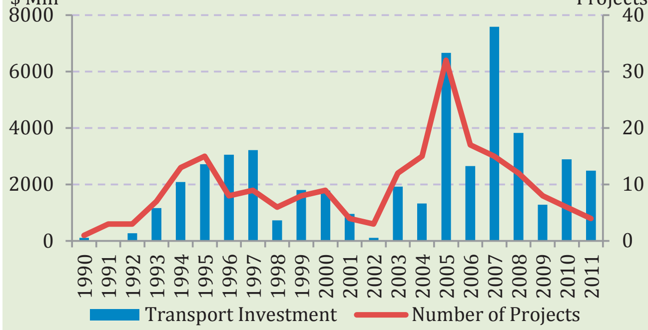


Figure 7.2b: Top OIC Countries in Total Investment Through Private Participation in Transport Projects ($ Mln)

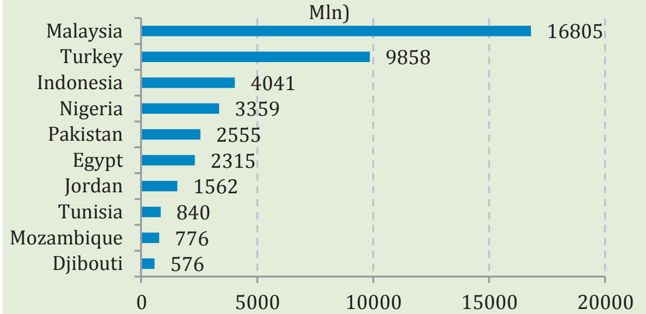


Figure 7.2c: Total Investment through Private Participation in Transport Projects ($ Mln)

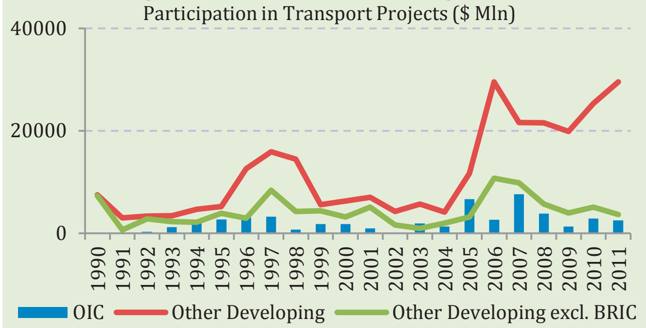
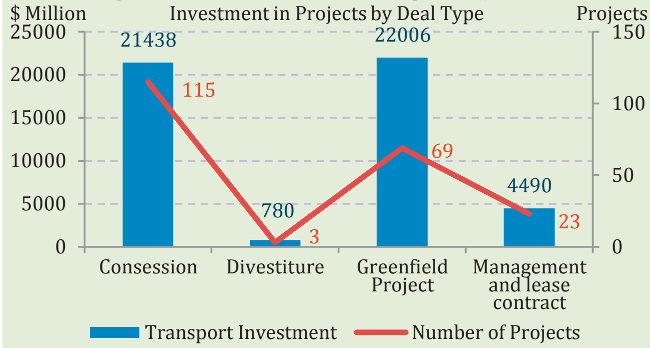


Figure 7.2d: Total Number of Transport Projects and Investment in Projects by Deal Type



sharp fall of private activities in BRIC countries after 1998, average total transport infrastructure investment in other developing countries remained below $5.5 billion until 2004. With the global credit expansion trend after 2005, BRIC countries as well as other developing countries excluding BRIC saw an ever higher growth in private activity. While total investment of non-OIC/non-BRIC developing countries peaked to $10.8 billion in 2006, India and China alone had a total of $18.4 billion for transport infrastructure investment in the same year. However, during the credit crunch between 2007 and 2009, private investment level experienced rapid downturn in much of the world. In 2011, total private investment in other developing countries exceeded its previous peak of $29.5 billion in 2006 and reached $29.6 billion, its highest level throughout the period under consideration.

In terms of classification of investment in transport projects by deal types, investment in OIC countries were mostly concentrated on both concession and Greenfield contracts with similar levels. Greenfield and concession contracts in total made up 89% of total OIC investment with 184 projects and a total investment commitment of $43.4 billion (Figure 7.2d). Management and lease contracts made up 9% of private activity with 23 projects while divestiture contracts had only 3 projects in very small amount of investment.

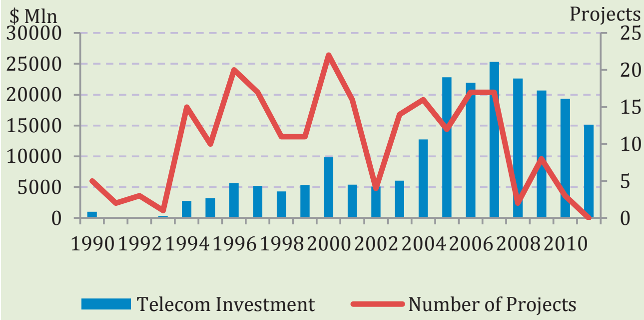
Private Participation in Telecom Infrastructure

Telecom infrastructure involves fixed or mobile local telephony, domestic long distance telephony, and international long-distance telephony is quite significant bearing in mind the strong role IT technology and e-commerce has in business (World Bank 2013a). Between 1990 and 2011, telecom infrastructure projects with private activity reached contractual or financial closing in OIC member countries, covering investment commitments of $214.6 billion through 226 projects.

Over the last two decades, private activity in telecom infrastructure has indicated substantial and sustained growth in OIC countries. Private investment gained momentum firstly in Indonesia, and then followed by Malaysia and Turkey during 1990's. Total investment in these three countries accounted for 67% of total investment in OIC countries during 1990's. After 2003, total investments gained further momentum in OIC countries and reached $22.8 billion in 2005 and $25.3 billion in 2007. Total private investment in OIC countries in telecom infrastructure during 1992-2001 was worth $42 billion (Figure 7.3a). This number reached $172 billion during the period 2002-2011. During this period, Nigeria, Pakistan and Egypt also witnessed significant private investment in telecom sector.

Between 1990 and 2011, investment in telecom infrastructure in OIC countries was mostly located in five member counties accounting for 56% of total telecom infrastructure investment (Figure 7.3b). Turkey was the leading country with $33.6 billion, 16% of total private investment in 49 OIC countries. It is followed by Indonesia, Nigeria, Egypt and Pakistan, together represented 40% of total OIC investment by implementing 47 projects. Nearly all OIC member countries had private participation in the telecom infrastructure sector since telecom infrastructure projects requires

Figure 7.3a: Total Investment through Private Participation in Telecom Projects In OIC Countries



high levels of technology and skilled labour which can sometimes be hard to find in less competitive state owned enterprises.

When the performance of OIC countries is compared with other country groups, a similar trend can be observed. In terms of total investment in telecom projects, non-OIC/non-BRIC developing countries have indicated similar annual total investment levels with OIC member countries (Figure 7.3c). After 1996, with the acceleration of private activities in telecom infrastructure in BRIC countries, non-OIC total investment has more than doubled by increasing from $15.3 billion in 1996 to $42.9 billion in 1998. Moreover, with $76 billion private activity observed in Brazil during 1996-2003, a single country has recorded 50% more than the total investment of $47 billion in OIC countries during the same period. After 2003, all country groups witnessed upward trends in total private investments with wide-ranging technological improvement in the telecom sector. It is, however, noteworthy to observe a somewhat higher rise in investment in OIC and non-OIC developing countries after 2003 compared to non-OIC/non-BRIC developing countries.

Figure 7.3b: Top OIC Countries in Total Investment through Private Participation in Telecom Projects ($ Mln)

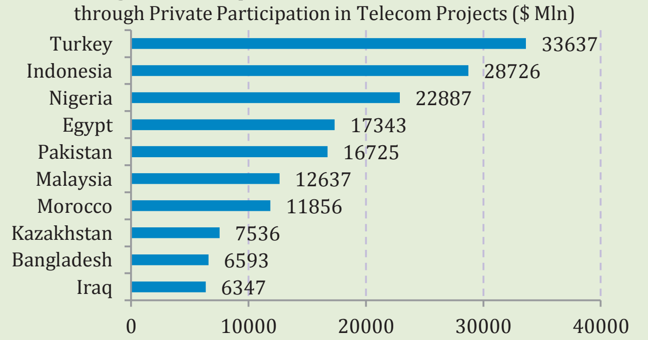


Figure 7.3c: Total Investment through Private Participation in Telecom Projects ($ Mln)

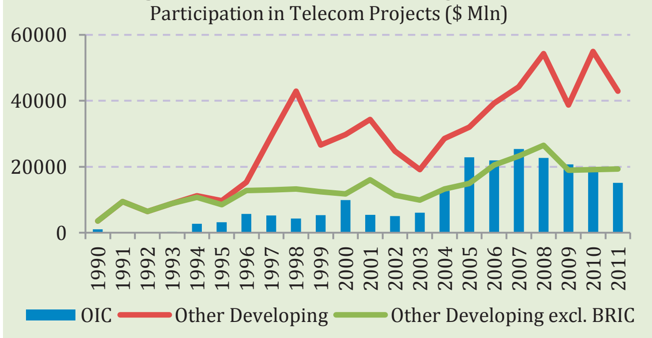
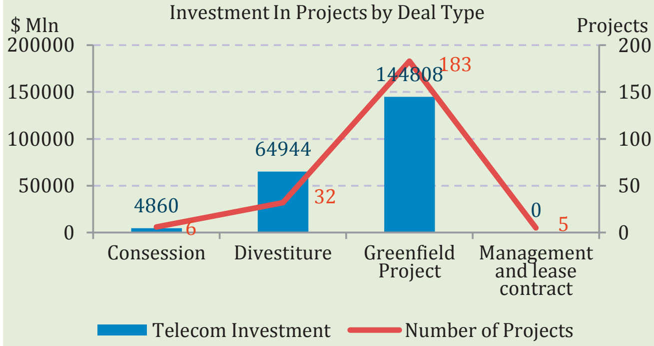


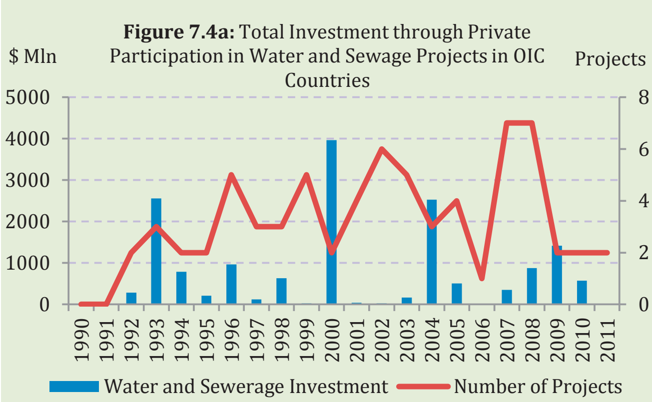
Figure 7.3d: Total Number of Telecom Projects and Investment In Projects by Deal Type

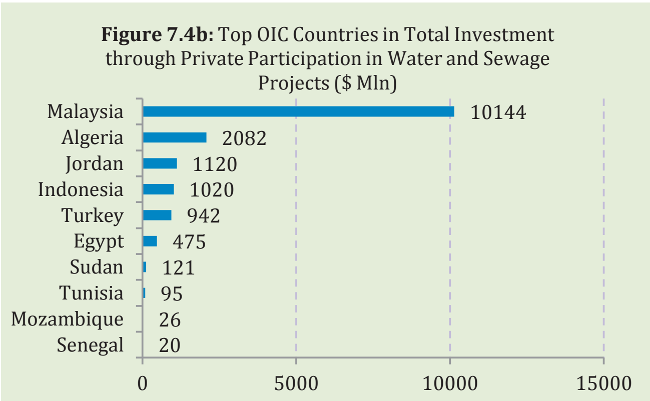


The private activity in telecom infrastructure in OIC countries was again concentrated on Greenfield projects, explaining 67% of total OIC investment with 183 projects worth $144.8 billion in total between 1990 and 2011 (Figure 7.3d). Divestiture contracts were the second most prevailing type of private participation accounting for 30% of the total OIC with 32 implemented projects worth $64.9 billion. Management & lease and concession contracts represented only 2% of the investment in OIC countries.

Private Participation in Water and Sewage Infrastructure

Making possible drinkable water generation, distribution, sewage collection and treatment; water and sewage infrastructure is not only a substantial element in determining the achievement of agricultural and manufacturing activities but also essential to providing the decent life standards for human and economic development (World Bank 2013a). During the period 1990-2011, 70 private water and sewage infrastructure projects reached contractual or financial closing in OIC countries, comprising investment commitments of $16 billion since 1990.





From 1990 to 2011, water and sewage investment in OIC countries was highly volatile, mainly led by Malaysia, Indonesia, Algeria and Jordan. Private activities in Malaysia during 1993, 2000 and 2004 with totally $9 billion investment explained 99% of gigantic growth during these years (Figure 7.4a). Other growth episodes during 1996 and 2009 took place through private investments in Turkey, Algeria and Jordan with totally $2.4 billion, which accounts for 99% of total investment in OIC countries for which data are available.

Private participation in water and sewage infrastructure in OIC countries has been implemented mainly in Malaysia with 16 projects, explaining 63% of total OIC investment. Algeria, Jordan, Indonesia and Turkey together accounted for 32% of private activity in OIC countries with totally $5.2 billion investment (Figure 7.4b). 31 of 49 OIC countries, on the other hand, had no water and sewage projects through private participation during 1990-2011.

Similar to the OIC countries, annual total private investment in the non-OIC as well as non-OIC non-BRIC developing countries was highly correlated with private activity in few countries between 1990 and 2011. Non-OIC and non-OIC/non-BRIC countries saw similar total private participation levels until 2001 because of low investment levels in BRIC countries. Non-OIC developing countries saw a high growth during 1993, 1997 and 1999 (Figure 7.4c). In 1993 and 1997, Philippines and Argentina accounted for 89% of total non-OIC investment with investments worth $12.4 billion. Moreover, $4 billion private participation in Chile explained the 63% of growth in annual average investment in the non-OIC developing countries in 1999. As private investment in BRIC countries accelerated during 2006-2011, the private investment gap between non-OIC and non-OIC/non-BRIC countries enlarged. While $8 billion was spent to finance water and sewage projects in BRIC countries, other non-OIC countries invested only $4.6 billion between 2006 and 2011.

Classification of investments in terms of deal types reveal that investment in water and sewage projects in OIC countries was mostly dominated by concession contracts (19 projects) of $10.3 billion in total value, 64% of total investment in OIC countries (Figure 7.4d). The second most implemented type of projects was Greenfield projects worth $5.7 billion in total. The remaining type of financial contracts had very low amounts of investment compared to the concession and Greenfield types of projects.

Concluding Remarks

As far as developing countries are concerned, poor state-enterprises face low technology levels, high costs of unskilled labour and lack of

Figure 7.4c: Total Investment through Private Participation in Water and Sewage Projects ($ Mln)

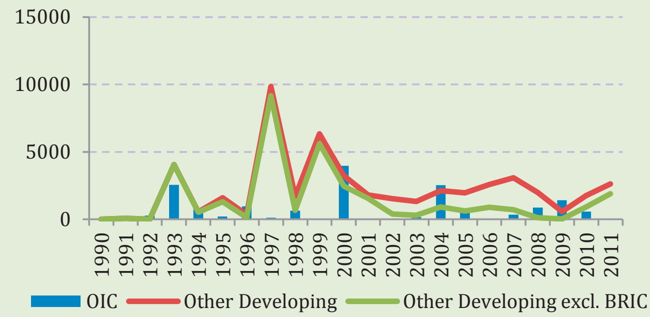
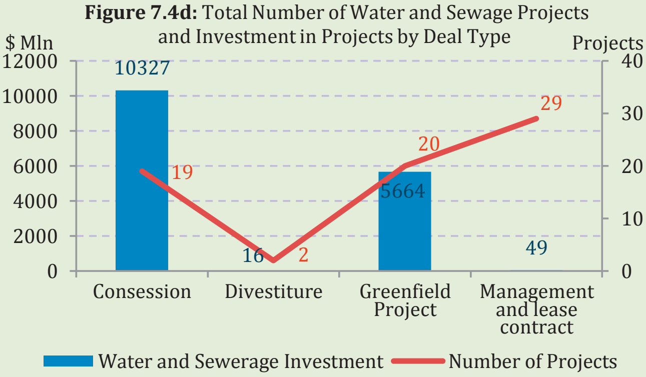


Figure 7.4d: Total Number of Water and Sewage Projects and Investment in Projects by Deal Type



intermediary materials which makes them unable to implement enough infrastructure projects for long years. The larger portion of private investment in infrastructure has been observed especially in more industrial countries during the period 1990-2011. Relatively more industrialised OIC countries such as Turkey, Malaysia and Indonesia have had the biggest volumes of private infrastructure investment in general. This is due to the fact that these countries possess necessary resources to undertake private infrastructure investment such as higher human capital levels or more financial resources. They also have more incentive to invest in infrastructure as better infrastructure further supports the development of industry.

In 49 OIC countries, 885 privately funded infrastructure projects took place, making up $391.7 billion between 1990 and 2011. $214.6 billion in OIC countries was utilized to finance telecom infrastructure projects, accounting for 55% of total investment in OIC countries. The second biggest investment was made in energy infrastructure involving $112.3 billion private investment with 379 projects. Transport and water infrastructure investment reached together to totally $64.8 billion, pointing out the disproportionality of private infrastructure investment.

Among the 49 countries, Malaysia, Turkey and Indonesia have been the leading OIC countries through conducting 307 infrastructure projects, involving private investment of $182 billion, %46 of total OIC investment. Having higher income levels, human capital and better conditions for doing business have promoted private investments in infrastructure.

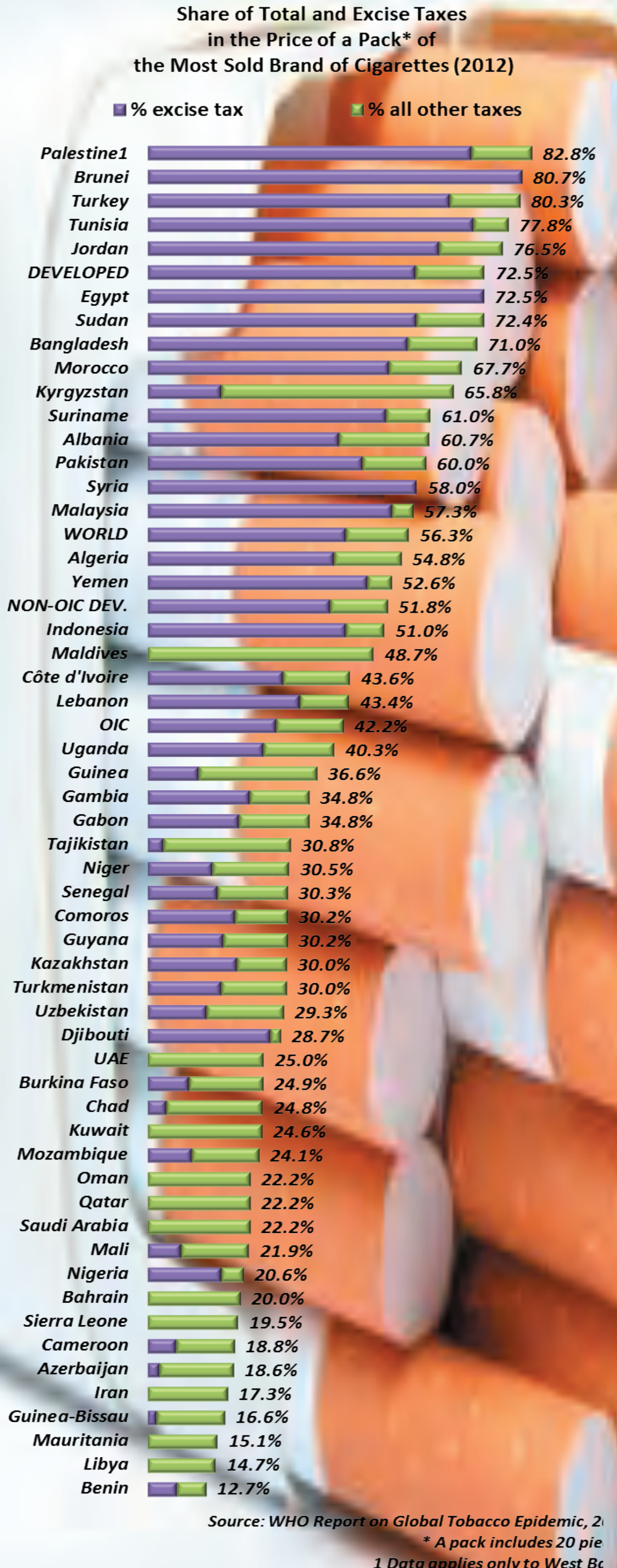
Many OIC countries, located mostly in sub-Saharan Africa and central Asia, on the other hand, lag behind their peers in terms of private investment in infrastructure. Out of 49 OIC member countries, 31 countries reported no private infrastructure projects at all for water and sewage, followed by 15 in transport, 12 in energy and 2 in telecom. Djibouti, Mauritania, Somalia, Suriname and Turkmenistan had no private activity in three out of four categories.
The greatest progress has been maintained through Greenfield projects by investment commitments of $256.4 billion, accounting for 65% of total OIC investments, meaning that most of the projects were newly initiated, having no prior infrastructure to build on. With the increasing of economic decentralization and privatisation policies, divestiture contracts were the second most widespread deal type in private participation involving investment of $75.2 billion, 19% of total investments in OIC countries.

This report concludes that, promoting water and energy infrastructure accelerates efficiency in agricultural and manufacture production, while improving telecom and transport infrastructure also strengthens economic integration of poor and landlocked areas. Having a bigger industrial sector and higher income levels, on the other hand, promote the density of private infrastructure projects in emerging countries as they increase growth and develop operational performance.

Improving coordination among the government and private enterprises and institutions is the main principle for having higher returns from existing infrastructure and developing infrastructure in a country. Therefore, a set of missions need to be completed by public institutions, state-owned and private enterprises in order to have efficient infrastructure with high revenues and to increase private participation in infrastructure:

- Efficient infrastructure investments should be prioritized for the high returns they bring. Therefore, applying low-cost technology in infrastructure projects and having reforms in institutions for improving operational performance in income distribution, collection of revenue and determining the staff number are significant investment areas for increasing infrastructure efficiency.
- Greater maintenance expenditure will limit waste and inefficiency in infrastructure spending springing from additional infrastructure investments. Rehabilitationand preservation of infrastructure assets are more likely to bring higher returns than obtaining new technological instruments and intermediary materials.
- Having regulatory and administrative reforms to decrease freight tariffs and costs or promoting multimodal transportation networks can improve economic integration of an area and hence, bring higher returns through accessibility to trade channels, increasing the feasibility of infrastructure projects for private firms, which prioritize cost-benefit analysis instead of social benefit.
- Many developing OIC countries are too small to develop infrastructure on their own. Therefore, integrating energy, water and transport infrastructure to urban regions with the assistance of more developed countries will be a more efficient option as it would reduce the cost of doing trade and enable people to have access to large markets.
- Institutional reforms through improving governance and accountability in state-owned and private enterprises can reduce inefficiency of operational performance in enterprises.

DID YOU KNOW?



- Consumption of tobacco products is increasing globally though tobacco kills nearly 6 million people each year according to WHO estimates.

- More than five million of those deaths are the result of direct tobacco use while 600,000 non-smokers die from exposure to second-hand smoke. Unless urgent action is taken, the annual death toll is expected to rise over eight million by 2030.

- Tobacco taxes are considered to be the most cost-effective way to reduce tobacco use, especially among young people and poor people. A tax increase that increases tobacco prices by 10% decreases tobacco consumption by about 4% in high-income countries and by up to 8% in low- and middle-income countries.

- However, high tobacco taxation is a measure that is rarely used. Based on the recent report of WHO on Global Tobacco Epidemic, only 32 countries, less than 8% of the world's population, have tobacco tax rates greater than 75% of the retail price.

- In 2012, 15 OIC member countries have total tax rates (i.e. excise taxes plus all other taxes) above the world aveerage of 56.3%.

- Among them, Palestine, Brunei, Turkey, Tunisia and Jordan are the only member countries with total tobacco rates higher than 75%. Charging more than 80% of the retail price, Palestine, Brunei and Turkey also belong to the global list of top 10 countries with the highest tobacco tax rates.

- On the other hand, the total tobacco tax rates in 13 member countries are less than one fifth of the retail price of a pack of cigarettes.

OIC

NEWS

The 2nd Session of the Islamic Conference of Labour Ministers

23-26 April 2013, Baku, Azerbaijan

The 2nd Session of the Islamic Conference of Labour Ministers (ICLM) was held in Baku, Republic of Azerbaijan during the period 23-26 April 2013 under the theme "Decent Work for sustainable Social Welfare". The Senior Officials Meeting, which preceded the Ministerial Conference, was held on 23-24 April with the participation of Senior Officials from the Ministries of labour of 36 member countries. The Meeting was also attended by representatives of the OIC General Secretariat and the relevant OIC and regional and international institutions.

The participants discussed and deliberated on four various issues related to labour markets and employability in the OIC countries. These issues constituted the main agenda items of the Conference as follows: (1) Occupational Safety and Health; (2) Reducing Unemployment and Role of Capacity Building; (3) Foreign Migrant Labour and Social Protection; and (4) Labour Market Information Strategy. The representative of SESRIC, Mr. Nabil Dabour, Director of Research Department, made a comprehensive presentation under the topic "Occupational Safety and Health in OIC Countries".

The participants also discussed and deliberated on the "Draft OIC Framework for Cooperation on Labour, Employment and Social Protection" and its implementation mechanism. At the end of the Meeting, the participants prepared and examined the Draft Resolutions and the Draft Baku Declaration as well as the Agenda and Programme of the Ministerial Session for submission to consideration by the Ministers.

The Ministerial Sessions held on 25-26 May. The Conference was attended by Ministers in charge of labour and employment, Heads of delegations from 37 member countries, representatives of the OIC General Secretariat, OIC institutions, regional and international Organizations. The Conference was chaired by H.E. Mr. Fizulli Alakbarov, Minister of Labour and Social Protection of the Population of the Republic of Azerbaijan.

During the General Debate, the Ministers and Heads of delegations addressed the Conference on their national programmes, underscoring areas of potential collaboration. They also consider and adopted the "Draft OIC Framework for Cooperation on Labour, Employment and Social Protection" and its implementation mechanism, which was examined by the Senior Officials. The Framework includes, *inter alia*, the following objectives: to streamline a concrete common member states in the field of capacity building, employment, foreign migrant labour, labour market information strategy and social protection; and to adjust, whenever required, the common policies and programmes related to social protection and development.

The Conference designated the following OIC member states as members of the Steering Committee for the implementation of the Framework: Republic of Azerbaijan (Chairman), Kuwait, Libya, Malaysia, Guinea, Cameroon, Indonesia, and Saudi Arabia. The Conference mandated the Steering Committee to work out plans and programmes including time-lines and benchmarks, with a view of ensuring effective and speedy implementation of the programmes identified in the adopted OIC Framework. The Steering Committee was also mandated to include performance mechanism and evaluation on the implementation of the Framework every two years and submit its reports to the Islamic Conference of Labour ministers through the OIC General Secretariat.

The Conference further adopted the Baku Declaration and Resolution on the Cooperation on Labour, Employment and Social Protection among the OIC Member States. The Conference also welcomed the offer made by the Republic of Indonesia to host the 3rd Session of the ICLM in 2015. The final Official Documents of the Conference are available at: http://www.oic-oci.org/external_web/labor/2/en/main.asp

SESRIC Hosted the 22nd Session of the Committee for the Coordination of Statistical Activities at its Headquarters

Ankara on 4-6 September 2013

SESRIC hosted the 22nd Session of the Committee for the Coordination of Statistical Activities (CCSA) at its Headquarters in Ankara-Turkey on 4-6 September 2013. Representatives of 21 international organisations participated in the 22nd Session of CCSA. Established in 2002 in order to continue coordination in the statistical sector, which had been done by the Administrative Committee on Coordination (ACC) Subcommittee on Statistical Activities prior to 2002, the CCSA have members from 39 international and supranational organizations, whose mandates and activities include the provision of international official statistics in the context of the Principles Governing International Statistical Activities.

Prof. Savaş Alpay, Director General of SESRIC, delivered a Welcome Speech at the Opening Session of the Twenty Second Session of the CCSA. After welcoming the participants to the 22nd Session, he briefed them about the activities of SESRIC. Prof. Alpay went on to say that SESRIC devoted much of its resources for the development of statistical capacity in the member countries of the OIC. In this respect, he reminded that SESRIC and IDB organize annual sessions of the OIC Statistical Commission since 2011 with the participation of more than 40 OIC Member Countries where the participants have the opportunity to exchange experiences and views on the recent statistical developments. Prof. Alpay mentioned that the working groups

established under the umbrella of OIC-StatCom have taken the first steps to initiate new programs including the Accreditation of Professional Statisticians in OIC Member Countries. Prof. Alpay also invited the participants to the International Forum on Financial Systems with the theme "Sustainable Finance for Sustainable Development" on 11-12 September 2013 under the auspices of the Presidency of the Republic of Turkey. Following Prof. Alpay, the presentations on the departmental activities of SESRIC took place.

Thanking Prof. Alpay for hosting the 22nd Session of the CCSA at the SESRIC Headquarters in Ankara-Turkey, the CCSA Co-Chairs, Mr. Henri Laurencin, UNCTAD, and Mr. Werner Bier, ECB, proceeded with the agenda items. On the last day of the 22nd Session, the Commission elected Mr. Pietro Gennari, Chief Statistician, FAO, as the new Co-Chair of the CCSA.

It is worth mentioning that SESRIC is one of the current 39 members of the CCSA. The CCSA focuses its work on the six main activities: Efficient functioning of the statistical system; Common standards and platforms; Development of methodologies; Inter-institutional support; Outreach; Advocacy for statistics.

The annual report on the activities of this Committee is submitted to the United Nations Statistical Commission (UN-SC). The Committee convenes twice a year. The 23rd Session of the CCSA will be held in New York during the 45th Session of the UN-SC in 2014 while the 24th Session will be held in Rome, Italy in the same year.

LAUNCH OF THE REPORT ON "SCIENCE, TECHNOLOGY AND INNOVATION IN KAZAKHSTAN" UNDER THE FRAMEWORK OF THE OIC ATLAS OF ISLAMIC-WORLD SCIENCE AND INNOVATION PROJECT

25 MAY 2013, ASTANA, KAZAKHSTAN

The Launch of the Report on "Science, Technology and Innovation in Kazakhstan" under the framework of the Atlas of Islamic-World Science and Innovation (AIWSI) Project, has been organised by the National Agency for Technological Development of the Republic of Kazakhstan (NATD) in collaboration with SESRIC on 25 May 2013 in Astana, the Republic of Kazakhstan. The launch event was attended by international partners of the Atlas of Islamic-World Science and Innovation Project, academicians, high-level government officials and business leaders and provided a platform to assess and discuss the recommendations and findings of the "Science, Technology and Innovation in Kazakhstan" Report. The Report has been prepared by SESRIC in collaboration with the NATD of the Republic of Kazakhstan.

Welcoming speeches were delivered by His Exellency Kanysh Tuleushin, Vice Minister of Industry and New Technologies of the Republic of Kazakhstan, Dr. Kuralbay Bukharbayev, Adviser to Minister of Industry and New Technolgies of Kazakhstan and National Focal Point of the Project and Dr. Anuarbek Sultangazin, Deputy Chairman of the Board, NATD of the Republic of Kazakhstan and National Research Partner of the Project. In his opening address, Prof Savaş Alpay, Director General of SESRIC, expressed his pleasure for the completion of the "Science, Technology and Innovation in Kazakhstan" Report, prepared by SESRIC in coordination with the National Focal Point of the Republic of Kazakhstan, Dr. Kuralbay Bukharbayev, and in collaboration with the National Research Partners of the report namely the NATD and the National Centre for Technological Foresight (NCTF) of the Republic of Kazakhstan. Prof. Alpay mentioned that it is important not only to finalize such studies but also to implement the findings and recommendations of such reports, especially through international cooperation and collaboration with OIC Member Countries. He stated that SESRIC, with its vast experience in

initiating cooperation and collaboration across the Member Countries, is always ready to trigger and take necessary measures in support of the implementation of the outcomes of the Report.

Following the opening ceremony, Prof. Yunus Çengel, Lead Researcher of the report, made a background presentation titled "Science, Technology and Innovation in Knowledge Economy". Mr. Hüseyin Hakan Eryetli, Director of Training and Technical Cooperation Department of SESRIC, made a detailed presentation on the findings and recommendations of the report, which analyses the state of Science, Innovation and Technology in Kazakhstan and provides an assessment of how effectively the existing National Innovation System (NIS) develops and supports the country's innovative capabilities. The Launch Event concluded with a question and answer session giving participants the opportunity to comment on and discuss the outcomes of the report.

Workshop on "Innovative Solutions to Poverty Reduction and Empowerment of the Poor"

26-28 June 2013, SESRIC Headquarters, Ankara, Turkey

Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) has jointly organized, in collaboration with Islamic Solidarity Fund for Development (ISFD) of the IDB Group and Turkish Cooperation and Coordination Agency (TIKA), a workshop on "Innovative Solutions to Poverty Reduction and Empowerment of the Poor", on 26-28 June 2013, in Ankara, Republic of Turkey. The workshop took place in the Headquarters of SESRIC.

The meeting took place with the participation of high and medium level economists, managers, and experts from different ministries of 27 OIC Member Countries. The workshop was also attended by a number of international institutions operating in the field of poverty such as Abdul Latif Jameel Poverty Action Lab

(J-PAL) , Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), International Food Policy Research Institute (IFPRI), OXFAM , Development Impact Evaluation Initiative of the World Bank (DIME), Bank of Khartoum (BOK), Asian Development Bank (ADB), National Development and Planning Agency, Arab Economic Development Bank (BADEA), International Anatolia Health Federation (USAF) and Aegean International Federation of Health (ESAFED). During the workshop, all these institutions shared their successful and innovative models in poverty reduction, as well as, brainstorm on how best to integrate and replicate these models on a sustainable basis.

The main objectives of the workshop were to showcase proven poverty reduction solutions which can be scaled-up and replicated in OIC Member Countries, and to broker meaningful partnerships between policy-makers, academicians and practitioners in order to facilitate the development of a relevant future course on reducing poverty in these countries. Mainly, the workshop focused on the following themes including: (1) Agriculture and Food Security; (2) Financial Inclusion, Entrepreneurship and Business Development; (3) Infrastructure for the Poor; and (4) Human Development, Social Policy and Health.

At the opening session, Prof. Savaş Alpay, Director General of SESRIC, welcomed the participants and expressed SESRIC's gratitude to ISFD and TIKA for their cooperation in the implementation of this important meeting. Prof. Alpay underlined that poverty is still considered as one of the most serious challenges facing the humanity today and it is a multi-dimensional phenomena and a result of a complex socio-economic and political structure of a particular country. He also mentioned that poverty is more than poor people; it is associated with poor economies, poor human resources, poor social services provision, and poor policies to tackle the challenges facing human and socio-economic development and hence the status, the determinants, and the policy measures required to eradicate poverty would, by definition, vary from one country to another.

Prof. Alpay mentioned that the recent estimates indicate that one billion people worldwide are undernourished; the majority of them are in the developing regions of Africa, Asia and Latin

America and the majority of the OIC member countries are located in these regions and it is quite evident that a significant portion of those poor and undernourished people resides in OIC countries, particularly in the Least-developed and low-income members. Prof. Alpay voiced that currently, 21 out of the world 48 LDCs are OIC members. 18 OIC member countries are classified as low-income countries and 22 as Heavily Indebted Poor Countries (HIPCs). As for the indicators of poverty Prof. Alpay stated that estimates express that there are almost 400 million people (23%of OIC total population) living below the income poverty threshold of 1.25$ a day and 583million people (40% of OIC total population) below the poverty threshold of 2$ a day.

In his inaugural address, Mr. Serdar Çam, President of TIKA, expressed his satisfaction from co-organising the workshop. Mr. Çam stated that the workshop would be excellent opportunity for sharing best practices and experience across OIC Member Countries in the area of poverty alleviation. On his part, Dr. Ahmet Tıktık, Vice President of Islamic Development Bank, welcomed the contributors of this substantial congregation and voiced ISFD's appreciation to SESRIC and TIKA for their cooperation. Dr. Tıktık drew attention to challenging issues such as; insufficiency of safe water, sanitation and agricultural products, fragility of food supply services and lack of skilled human capital that Islamic World currently facing. Dr. Tıktık also mentioned that the ISFD is trying to find solutions to poverty reduction through scientific methods. Dr. Tıktık shared institutional practices with participants and encouraged participants to share their experiences during the workshop.

At the end of the workshop, the participants adopted a number of recommendations for poverty alleviation in the member countries, particularly in regard with Agriculture and Food Security, Financial Inclusion, Infrastructure Development, Human Development, Impact Evaluation and Partnerships to be undertaken as future proceedings of the workshop.

COUNTRY

NEWS

SR 62 BN MAKKAH METRO PROJECT LAUNCH IN 2014

The SR 62 billion new Makkah public transport system, including a metro with four lines and 88 stations and a fast bus service network, will bring about dramatic improvement in transport of pilgrims and citizens in the city. The first phase of the project, costing around SR 25.5 billion, would begin by the middle of next year. It will be completed in three years. There will be underground lines in areas surrounding the Grand Mosque until the third ring road, while the lines beyond that region will be built on suspended bridges. The first phase includes construction of a 30-km line from Um Al-Qura University in Abidiya to Sayeda Aisha Mosque.

The bus service will be integrated with the metro system, Al-Bar said, adding that the speedy bus service would link various parts of the city, covering 60 km with 60 stations. There will be a local bus service to areas not covered by the metro and speed bus network. The local buses will cover 65 km between the Grand Mosque and surrounding residential districts. In addition, there will be feeder bus services for the metro system. He said the public transport scheme is to be completed in 10 years in three phases.

Al-Balad Al-Ameen, a company owned by the Makkah Mayoralty, conducted a technical study on the metro, which will be implemented by Makkah Railway Company. Systra, a French consultancy, and BW Engineers from Germany are also involved in the project. A consultancy service contract will be signed with a British company for project management. The governor has set up a 11-member committee, chaired by Deputy Gov. Abdul Aziz Al-Khodairy, to monitor the project. Al-Bar also disclosed plans to implement a project to link

Source: Arab News

KAZAKHSTAN BEGINS TRANSITION TO 'GREEN' ECONOMY

Renewable and alternative energy sources will provide 50% of all electricity produced in Kazakhstan by 2050, according to a Decree signed by Kazakh President Nursultan Nazarbayev on May 30. The goal is part of Nazarbayev's broad Strategy Kazakhstan-2050 initiative, which is designed to modernize and diversify the nation's carbon-reliant economy. The 2050 plan calls for the aggressive development of Kazakhstan's alternative energy generation as well as water resource, agriculture and waste management sectors.

The Strategy Kazakhstan 2050 plan seeks to use the country's estimated 3.8 trillion cubic meters of natural gas reserves as a bridge between coal and renewable sources for electricity. As development and conversion capacity increases, gas will gradually replace coal plants until they are upgraded or shuttered entirely.

The gradual phasing out of coal will help lay the foundation for large-scale development of the renewable energy and gas chemical sectors while protecting jobs in the coal sector as well. The transfer to the green economy is expected to have a positive impact on the country's economy -- increasing the Gross Domestic Product (GDP) by as much as 3% by 2050 compared to the status quo. It will also provide for the creation of up to 600,000 new jobs in different sectors of economy. The overall volume of public and private investments for implementation Kazakhstan Strategy 2050 is expected to be around 3.2 billion U.S. dollars per year until 2050. This is about 1% of the annual GDP.

Source: Embassy of the Republic of Kazakhstan in US

UAE, Bahrain Top in Economic Freedom

The UAE and Bahrain are the most economically free nations in the Arab world, according to international think tank Fraser Institute's annual report on Economic Freedom of the Arab World for 2013. On a global scale, the UAE with an overall score of 8.07 out of 10 has been ranked 5th and Bahrain (with 7.93) the eighth most economically free nation in the world, putting the country nine places ahead of the US in the Fraser Institute's report. This is the second consecutive year Bahrain has ranked in the top ten among 151 countries and territories, said the international think tank. The UAE and Bahrain led the GCC rankings followed by Qatar (7.62); Oman (7.31); Kuwait (7.22) and Saudi Arabia (7.14). Globally, the average economic freedom score rose slightly to 6.87 out of 10 compared to 6.74 last year.

The Fraser Institute's report is the premier measurement of economic freedom, using 42 distinct variables to create an index ranking of countries around the world based on policies that encourage economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of private property. Economic freedom is measured in five different areas: (1) size of government, (2) legal structure and security of property rights, (3) access to sound money, (4) freedom to trade internationally, and (5) regulation of credit, labour, and business.

Research shows that people living in countries with high levels of economic freedom enjoy greater prosperity, more political and civil liberties, and longer life spans. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of private property. On average, the poorest 10 per cent of people in the freest nations are more than twice as prosperous as the average population of the countries with the least economic freedom.

Source: TradeArabia.

Oman Maintains Global Competitiveness Ranking

The Sultanate of Oman has continued to make significant progress towards the long-term goal of becoming an innovative-based economy. According to the 2013-14 Global Competitiveness Report released today by the World Economic Forum (WEF), Oman is ranked 33rd in the world and has improved in each of the three judging criteria compare to last year's findings. The report examines and compares the global competitiveness of 148 economies based on efficiency enhancers, innovation and sophistication factors as well as the basic requirements of doing business, which includes infrastructure, health and education and economic environment.

Commenting on the report, HE Dr. Salem ben Nasser Al Ismaily, Chairman of the Public Authority for Investment Promotion and Export Development (PAIPED), said: "Oman has made great strides forward in becoming an attractive business destination and partner. The Sultanate still ranks fourth in the MENA region for competitiveness but by making advances in every pillar of the Global Competitiveness Index

we are realising an ambitious plan to diversify the economy, attract foreign investment and enhance the framework necessary to become an international business hub". Compared to last year's report, Oman is ranked one place higher in terms of infrastructure, four places higher in business institutions and quality of health and primary education, seven places higher in goods market efficiency and eight places higher in labour market efficiency. Furthermore, the financial market and business sophistication ranking has also risen by five places.

Source: AMEinfo.com

Solar power, a viable alternative for Brunei

Brunei officials announced that the oil-rich state will introduce a Feed-In-Tariff system for solar power, a move that is aimed at diversifying the energy use in the Sultanate and incentivizing sustainable energy use. This is a remarkable step and shows the extent to which the solar industry is growing into new markets such as Brunei, a country whose most pressing problem is definitely not energy supply and the envisioned share of renewables in the energy mix by 2035 is just 10 per cent as opposed to other countries in the region which seek a share of up to 40 to 60 per cent over the same period.

While a large part of power demand in Southeast Asia in the coming two decades will still be met by fossil fuels, other conventional energy sources and renewables are beginning to play a serious role in the region. Looking at solar power, the main obstacle is still that its use has to be subsidized. Initial investments are big, but in the long run both maintenance and repair are cheaper than, for example, gas or coal plants and the energy source, the sun, is indefinite. Global studies show that the solar power industry is already moving away from the subsidy scenario towards an economic case to install photovoltaic cells with little or no subsidy in some countries.

Source: The Brunei Times

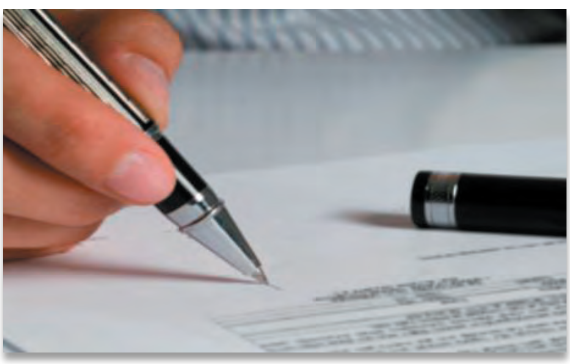
GAMBIA GETS US$5 MILLION WORLD BANK GRANT

The World Bank Board of Directors has approved a grant of US$5 million to support the Gambia's public sector financial management, ability to gather statistical data, and upgrade its national energy policy. The funding will support the country's on-going Integrated Financial Management and Information System Project (IFMIS). "With a small, relatively undiversified economy, The Gambia remains highly vulnerable to external shocks, including drought and global economic shifts," says Marcelo Giugale, the World Bank's Director of Economic Policy and Poverty Reduction Programs for Africa. "The financing will boost the reach of the government's IFMIS while encouraging economic growth, poverty reduction and shared prosperity for Gambians."

The grant provides resources for three components. The first supports the expansion of IFMIS capabilities and scope to improve core public resource management functions and strengthen institutional capacity. This component also includes funds to support automation of the National Records Service. The second component finances activities to build up the nation's statistical capacity to help the government to better monitor economic activity and to improve policy responsiveness. The third component supports the government as it develops a national energy strategy. The strategy will include an action plan and an assessment of the public electric power utility's finances and financial management system.

Source: JollofNews

IDB TO FINANCE AZERBAIJANI SMES



Azerbaijan's Muganbank signed a financing agreement with Islamic Corporation for the Development of the Private Sector (ICD) of Islamic Development Bank on a total amount of $3 million. The ICD line of financing will be used exclusively to finance Small and Medium size enterprises (SMEs) in Azerbaijan in manufacturing, trade, industry, agriculture and other spheres, Muganbank reported.

ICD was established in 1999 and is the private sector arm of the Islamic Development Bank (IDB), a multilateral development finance institution. Its key shareholders include IDB along with 51 ICD-member countries and five public financial institutions from the member countries. The Mission of ICD is to promote the economic advancement of the member countries by financing and supporting the growth of the private sector.

Source: Azernews

GDI: Malaysia Second Most Dynamic in ASEAN

The Grant Thornton Global Dynamism Index (GDI) 2013 has ranked Malaysia as Asean's second most dynamic country after Singapore. Now in its second year, the GDI ranks 60 of the largest economies in the world on their dynamism, drawing on both economic and business survey data.

It scores each economy across five key areas of dynamism – business operating environment, economics and growth, science and technology, labour and human capital, and financing environment – producing an overall score. Singapore had a score of 61.9, the highest in Asean, followed by Malaysia with 59.5 and Thailand with 56.4. Malaysia ranked second best in key areas such as business operating environment and financing environment in Asean for growing businesses.

SJ Grant Thornton managing partner Datuk N.K. Jasani said: "Malaysia is ranked 13th globally by the GDI, a major improvement of 11 places from the year before. "Our country also provides a good financing environment, as we scored the highest in Asean for access to medium-term capital."

In comparison with other countries globally, Malaysia is performing strongly in key areas such as economics and growth, ranking eighth, labour and human capital, ranking 11th and financing environment, ranking 16th. "We have climbed to the eighth ranking in economics and growth, boosted by higher gross domestic product (GDP) and consumption growth. Our real GDP growth is ranked ninth in the world," he said.

Source: The Star Online

Gabon Plans Offshore Oil Round and Transparency Measures

Gabon has informed the World Trade Organization (WTO) that it will hold a licensing round for offshore oil blocks later this year, and that it will bring in new transparency requirements for its natural resources sector. In a WTO document, Gabon said it was adopting a new hydrocarbon code which would provide a basis for the new bid round. Gabon, a former OPEC member, has the seventh biggest oil reserves in Africa and produces about 240,000 barrels per day, providing about 80% of its oil export earnings.

Gabon's oil minister told in November 2012 that the West African country would launch a deep-water licensing round in June provided it could put new investor-friendly rules in place. It had already delayed and then cancelled licensing rounds for ultra-deep offshore blocks in 2010, citing drilling costs and environmental concerns after BP's massive spill in the Gulf of Mexico. In the WTO document, Gabon said that the newly-created Gabon Oil Company was entitled to a stake of up to 15% in oil blocks owned by other companies. In the document, Gabon said it had set up a new agency which would publish company and government data on the production volumes and tax contributions of mining and oil firms, as well as government data on permits granted to companies and reserves estimates. It said the government was trying to have the new body in place by the end of 2013.

Source: Reuters

Long Way to Go in Nigeria's Electricity Sector

Only an estimated 40 million Nigerians have access to electricity (in whatever way access is defined) meaning that the remaining 120 million people in the country have no access. This alone indicates how far there is to progress in the country's electricity sector. In addition, a series of power sector polls conducted by NOI Polls in the second quarter of 2013 has revealed that an average of 47% of Nigerian adults had poor electricity supply which went from bad to worse in some cases. The results also showed that about 8 out of 10 of those interviewed generate their own power supply through alternative sources to compensate for irregular power supply.

The polls further revealed that a combined average of 69% of Nigerians have experienced an increase in their spending on alternative power supply compared to a year ago. A breakdown of the results showed that 22% of Nigerians say power was very bad and turned worse, 25% say it remained bad, while 33% of Nigerian adults saw some improvement in power supply. The NOI Power Sector Polls Project was introduced to help monitor the performance and trends in the country's power sector in the wake of the unbundling of the Power Holding Company of Nigeria (PHCN) under the Electric Power Sector Reform Act (EPSRA) 2005. The key findings came from responses from over 3,000 phone-owning Nigerian adults aged 18 years and above throughout the country.

Source: ESI-Africa.com

Sudan and Turkey to Cooperate in Energy

Sudan and Turkey signed a memorandum of understanding in the areas of mining, power generation and hydrocarbons, during Turkish Energy Minister Taner Yıldız's visit to the African country. Yıldız said that they would encourage private sector players active in the energy sector – particularly in wind, solar and hydroelectric power – to invest in Sudan. Kemal Abdullatif, the Sudanese minister of mining said that they would like to benefit from Turkey's experience in industry, mining and transportation. Also, Sudanese Electricity and Water Resources Minister Tabita Butros Shokia said they could cooperate with Turkey in wind, solar and nuclear energy.

Turkey and Sudan are set to cooperate in mining, hydrocarbons and electricity generation, particularly renewable energy, in accordance with the deals signed by Yıldız, Abdullatif and Shokia, following negotiations between technical delegations. Yıldız said Turkey would assist with Sudan's master power generation plan if help was requested. The minister also had talks about possible investment by the Turkish private sector to build a hydroelectric power station on the coast of the Nile River.

However, as Turkish firms continue oil exploration activities in Sudan, Turkey's state-run

General Directorate of Mineral Research and Exploration (MTA) and Eti Maden (Eti Mine) have been working to develop joint mine exploration projects with related companies in Sudan. If these projects are implemented, Turkish and Sudanese companies will be able to explore for gold, copper and iron. The deals provide for the training of qualified staff so mine resources are efficiently benefited from.

Source: Hurriyet Daily News

Saudi Arabia Awards SR5.6bn in Road Projects Contracts

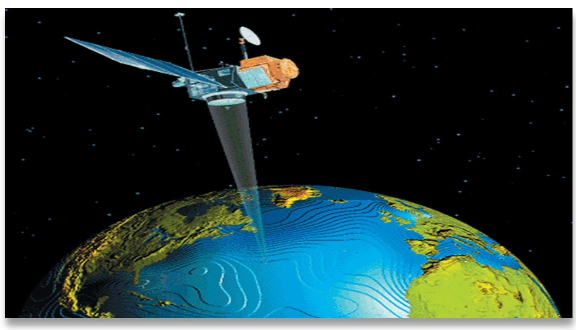
Saudi transport minister, Jabara Al-Seraisry has signed contracts worth SR5.6bn to implement 68 new road projects in various parts of the country. The new contracts are set to be awarded shortly to carry out remaining projects approved by this year's budget, the minister said.

"We had invited tenders from national companies soon after the declaration of the budget in order to implement the projects this year," Al-Seraisry said. "We are determined to implement all road projects following international standards and within specific periods," he said.

Source: Arab News

Qatar's First Satellite to Broadcast More than 100 Channels

Qatar Satellite Co (Es'hailSat) has announced Sohail 1, the country's first satellite is to broadcast more than 30 high definition television (HDTV) and 70 standard definition television (SDTV) channels sometime after its launch. The satellite, which will be launched from European Spaceport in Kourou, French Guiana, will broadcast Qatar TV, Al Jazeera



channel, Al Rayyan TV and Al Kass sports channel, among other channels. Services of the new satellite are expected to be available by December 2013, the firm said.

Source: The Peninsula

Kuwait to Spend $5.28bn on Water Projects Until 2014

Kuwait Financial Centre (Markaz) has said the total investment in Kuwait's water sector between 2005 and 2014 stands at $5.28bn. Of all water sector investments, water treatment plants saw highest investment at $3.4bn. The electricity & water ministry owns and operates all existing power and water production facilities, transmission networks and distribution systems in Kuwait and sells electricity and water.

Source: Arab News.

Women Playing Vital Role in Bahrain's Economy

According to a major report by the Economic Development Board (EDB), women are playing an increasingly important role in Bahrain's economy, particularly in the private sector, and more women are gaining higher education attainment than men. “The Role of Bahraini Women in the Economy”, which provides detailed statistics on women's participation in the workforce is the subject of a research paper issued by the EDB. It looks at recruitment in the private sector, unemployment among women, female entrepreneurship, education and related legislation. The report also highlighted programmes run by Tamkeen as well as the different aspects of social life in the kingdom, anticipating an increase in women's participation in the economy by five per cent to reach 45.6pc in 2020 from its current level.

The paper also indicated that the number of women joining the private sector has increased by 73.5pc in 2010 to more than 25,000 compared with 2002. This increment is higher than the rate of women recruitment in the public sector which stood at 45pc. Despite all efforts being made to increase women's participation in the private

sector, women still represent only 5pc to 6pc of the overall work force in this sector. The average wage for Bahraini women grew from BD317 in 2006 to BD457 in 2011. However, the difference between the average wage for men and women in the private sector still stands at 30pc, in contrast to the public sector where women receive on average 10pc higher wages than men.

Women on average attain a larger number of higher academic degrees after high school than men do, standing at 17.1pc for women against 14.4pc for men. The rate of unemployment amongst women decreased to 3pc in the last quarter of 2012, compared with 12pc in 2002. In comparison the number of business and commercial licences for women increased to 29pc in 2012, which is 23pc higher than its previous figure in 20

Source: Gulf Daily News

Iraq Stock Exchange Upgrades to NASDAQ Technology

The NASDAQ OMX Group has entered an agreement with the Iraq Stock Exchange (ISX) to upgrade its current trading platform. Under the terms of the agreement, ISX will replace its existing NASDAQ OMX platform (Horizon) with one powered by the renowned X-stream technology. The upgrade is expected to be rolled out by mid-year 2014. The upgrade to X-stream will provide ISX with a widely deployed high-end, multi-asset trading platform that complies with international standards. The migration to X-stream is a step in ISX's ambition to become a Middle Eastern hub, able to host and facilitate other regional markets.

Source: NASDAQ OMX

World Bank to fund $6.4M mobile Internet systems project in Lebanon

The World Bank Group will fund a $6.4 million project to boost Lebanon's mobile Internet systems and help create employment opportunities, especially among youth and women. The $6.4 million Mobile Internet Ecosystem Project approved by the World Bank Board of Executive Directors is aimed at strengthening innovation and entrepreneurship in the Lebanese mobile Internet ecosystem. Beneficiaries include software developers, university students, and information and communication technology firms.

Source: The Daily Star

Saudi Arabia to Become World's Largest Renewable Energy Market

The Kingdom of Saudi Arabia aims to become the world's foremost market for renewable energy with an aggressive investment budget of $109bn. By 2032, the country strives to generate as much as a third of the Kingdom's energy demands using renewable energy (54 GW). Following the publicity surrounding the country's major investment drive, King Abdullah City for Atomic and Renewable Energy, commonly known as KACARE released a series of documents detailing the revised National Energy Plan.

In addition to the 41 GW of solar power, 25 GW of CSP and 16 GW of PV, the Kingdom is aiming to generate 18 GW of nuclear energy, 3 GW of waste to energy, 1 GW of geothermal and an additional 9 GW of wind power, specifically for water desalination plants. Impressive and noble though the country's renewable energy goals maybe, the question remains: how will the world's largest exporter of oil, so dependent on conventional energy sources for their power demand, achieve such a transformation? Establishing a time-line with long-term policies is at the top of the list.

Source: AMEinfo.com

Iran Seeking Partnership with Qatar to Increase Gas Output

Iran's new energy minister has said his country wants to work with Qatar to improve gas production from the giant field they share under the Gulf. "We are ready to negotiate with this country... but the point is that Qatar shows willingness for talks anytime our conditions are conducive to recovery from this joint field. When our (rate of gas) recovery is low they are reluctant to talk," said Bijan Zanganeh. "Under the present circumstances, we will definitely negotiate with the Qatari side and naturally they

will pursue their own interests in recovery from this joint field."

Source: Reuters

Kuwait Energy Makes New Oil Discovery in the Western Desert, Egypt

Kuwait Energy, one of the fastest growing independent oil and gas exploration and production companies in the Middle East, announces an oil discovery at its El Salmiya-2 well, located in its Abu Sennan concession in the Western Desert, Egypt. Kuwait Energy is the operator of the Abu Sennan concession and holds a 50% working interest. The remaining working interest is held by Beach Petroleum (Egypt) Pty Ltd which holds a 22% working interest, and Dover Investments Limited with a 28% working interest with their main partner the Egyptian General Petroleum Corporation (EGPC). The El Salmiya-2 well encountered oil in Kharita Formation and initial tests showed a production flow rate of 3,530 barrels of oil per day (bopd). This is the sixth exploration success in the Abu Sennan concession and the twenty irst discovery in Egypt for Kuwait Energy since 2008.

Kuwait Energy's Chief Executive Officer, Sara Akbar, commented: "I am very happy to announce another successful oil discovery in Egypt which we anticipate will contribute positively to both the Company's production and reserve levels. Our operations continue to flourish in Egypt, we enjoy a close working relationship with the EGPC and we are delighted to play our part in helping Egypt satisfy its domestic energy demand."Kuwait Energy started operating in Egypt in 2008 and its operations there contribute the largest share of the Company's current total working interest production. In Egypt, the Company operates three oil blocks: the Abu Sennan concession, Area A and the Burg El Arab development lease. It also has interests in two other non-Company-operated blocks, namely the Mesaha concession and the East Ras Qattara development lease.

Source: AMEinfo.com

Jordan Approves Korean Consortium's Bid to Build Nuclear Reactor

The Jordan Nuclear Regulatory Commission gave its final approval to a South Korean consortium to build a research reactor in the kingdom following a two-year review. The consortium, which includes Daewoo Engineering & Construction Co, will build the 5-megawatt Jordan Research and Training Reactor (JRTR) at the Jordan University of Science and Technology in Irbid. The country's first reactor is set for completion by 2016.

Source: Wam

Morocco-Saudi Arabia: Creation of a new investment fund

The Moroccan Foreign Minister, Saad El Dine Otmani announced from Jeddah the creation of a Moroccan-Saudi investment fund, further to the meeting held Monday in Jeddah, calling to boost the sectors common carriers between the two countries.

The Moroccan-Saudi investment fund will ensure the financing of the common projects between the two countries and support the Small and Medium-Sized Enterprise (SME) and the Storage Management Initiative - Specification (SMI-S).

This fund will be an offshoot of PPP (public-private partnership), according to the Moroccan Foreign Minister. This pool will boost sectors common carriers by eveloping entrepreneurship involving two countries and increased investments in the tourism sector. The Saudi funding to Morocco will reach the sum of $ 1.2 billions dollars in 2019.

Source: The Maghreb Daily

Iran, Turkmenistan to Launch Direct Flights, Facilitate Border Transit

Iranian and Turkmen officials in a series of recent meetings in Ashgabat agreed to launch several direct flights between the two countries and facilitate their border transit. Deputy Iranian Road and Urbanization Minister Shahriyar Afandizadeh told FNA that the agreement was made in a conference in Ashgabat in July 2013.Tehran and Ashgabat also agreed to facilitate visa requirements for the truck drivers transiting goods between the two countries, he added. Afandizadeh said that the two sides also underlined the rapid launch of Kazakhstan-Turkmenistan- Iran railway. The joint railway network, dubbed as the Caspian Sea Eastern Rail Corridor, is more than 900 kilometers in length, including 140 kilometers in Kazakhstan, 700 kilometers in Turkmenistan, and 90 kilometers in Iran.

Iranian Minister of Road and Urbanization Ali Nikzad underlined in May that the joint railway connecting national networks of Iran,

Turkmenistan and Kazakhstan will become operational soon. The railway will link Iran to Turkmenistan and then to Uzbekistan and Kazakhstan and will connect the CIS countries with the Indian Ocean and high seas and the Persian Gulf littoral states. The total route of the railway is 1,000 kilometers, of which 90 kilometers would be in Iran, 700 kilometers in Turkmenistan and 210 kilometers in Kazakhstan. The railway facilitates transportation of goods from the Central Asian countries to the Gulf countries.

Source: NNN-FNA

China Grants $700 million Loan for New Khartoum Airport

China has granted Sudan a $700 million loan to build a new airport for the capital Khartoum. Sudanese officials signed a five-year loan with China's Export Import Bank, a state bank which supports government policy, Sudan's state news agency SUNA said. Work at the airport would start at the end of 2013 and last three years. The deal with Sudan comes at a time when airlines consider cutting back flights because of currency restrictions banning them repatriating profits.

The central bank forces them to sell tickets to Sudanese in local currency, which has lost more than 100 percent against the dollar in the past two years. In March, Dutch carrier KLM, part of KLM-Air France, stopped flying to Sudan, a country under U.S. sanctions.

Until South Sudan's secession in 2011, foreign airlines enjoyed a bonanza as Sudan was flush with oil revenues and Khartoum hosted an army of aid workers and U.N. officials, many of which have relocated to the South since then. Diplomats said China waited with the loan until Sudan agreed to allow South Sudan's oil exports to transit through its Port Sudan port. Chinese firms dominate oilfields in both countries, and analysts say oil is partly used as payment for Chinese development aid

Source: IINA

'Dubai Strategic Plan 2020' Ordered by Sheikh Hamdan bin Mohammed

Dubai's Crown Prince and the Chairman of the Executive Council, Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, has given directives to start the preparations for Dubai Strategic Plan 2020 to aid sustained development. Sheikh Hamdan's project is designed to act as a catalyst to boost all sectors. He has said that the plan will succeed in setting up a stable framework for action in line with the emirate's ambitions, which reflects the dedication, hard work and awareness of the people of the UAE. The framework of a previous 2015 plan and its outcomes will serve as a roadmap for the 2020 vision, taking into consideration the market needs in local, regional and international standards. The aim is to create a system for action that yields excellence.

The Crown Prince highlighted the importance of teamwork and inter-departmental cooperation between the government and semi government entities to put together an action plan characterised by clear targets. Some of the bestpractices adopted worldwide will be used to create a plan that is flexible to successfully incorporate new elements at any given time. "We aim to build a comprehensive and coherent plan that yields the further development of various sectors in the emirate of Dubai and adds to the prosperity of our people," Sheikh Hamdan says. "We are confident that Dubai will continue to be an international role model for development, thanks to our wise leadership and the efforts of our people," he adds.

Source: AMEinfo.com

AMF to Provide $144m Loan to Yemen to Promote Financial Reform

The Arab Monetary Fund (AMF) will provide a $ 144 million loan to Yemen this year to help its financial reform program. Recovery has been weak as political turmoil continues and attacks on oil installations deprive the government of vital budget revenues. The AMF loan will support a set of reforms begun in 2012 that aim to stabilize the Yemeni economy, improve living standards and restructure government departments and their services. This loan brings the total AMF support to Yemen to $ 1.1 billion in the past two years.

A third of Yemen's population live on less than $ 2 a day, inflation runs at 14 percent and about 35 percent of people are unemployed. Last year wealthy Gulf States, Western governments and other donors pledged $ 7.9 billion in aid over several years to Yemen but only a small fraction of the money has so far arrived. The International Monetary Fund hopes to agree a new longer-term loan for Yemen by the end of 2013 and mobilize aid from international donors.

Source: Saudi Gazette

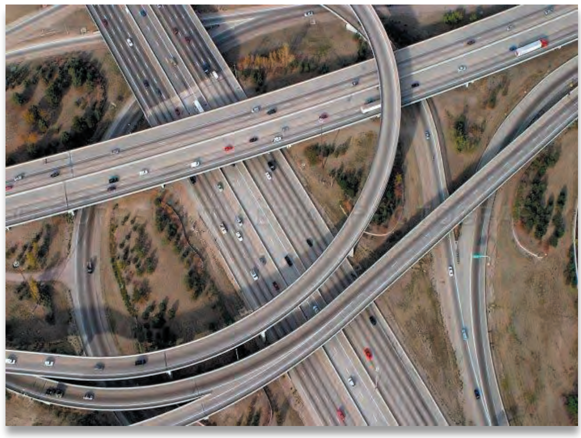
Turkey 'Needs $200-Billion Transport Investment'

Turkey's trade prospects require the country to boost its efforts and accomplish $200-billion worth of investments, the transport minister has said. According to the minister, Turkey should successfully realize infrastructure investments worth $200 billion within the next 10 years in order to meet the needs of its meant-to-grow trade.

"Turkey will have a $1.2 trillion foreign trade volume within 10 years. It needs new highways, railways and airports for this," Transport Minister Binali Yıldırım said on the final day of the three-day Transportation, Maritime and Communication Council in September this year.

According to Yıldırım, Turkey's ambitious trade and growth targets make the $200 million-worth infrastructure investments a must, and require a doubling of the investments made up to today.

Transport and infrastructure projects make up the core of the Justice and Development Party (AKP) government's economic development plans and have been seen as the key for reinforcing the country's position as a hub of regional trade. The government will undertake around $120 billion of these investments at the issue, while the remaining $80 billion will be carried out through the Build-Operate-Transfer model or private-public partnerships, Yıldırım said.



Between 2003 and 2012, the total cost of projects implemented through the cooperation of public and private actors amounted to $68 million, according to the World Bank's Private Participation in Infrastructure (PPI) website. When Turkey's largest PPP project up to today is added, the $29 billion-worth third Istanbul airport project, which was tendered this year, the number rises considerably.

In his remarks, Yıldırım introduced an even more ambitious plan. He stressed that the government was mulling the generation of solar power in space and transporting this power to earth through radio waves by 2035. He said they were first planning to launch a locally manufactured satellite into orbit in 2018.

Source: Hurriyet Daily News

Indonesia Has Become World's 15th Biggest Economy

Indonesia now is the world`s 15th biggest economy with a value reaching Rp10,000 trillion in 2012, Trade Minister Gita Wirjawan said. "If the value of Indonesia's economy is accumulated from 2012 to 20 years ahead, it will reach Rp600,000 trillion. With its domestic consumption reaching 60 per cent, Indonesia's domestic market potential is very big," the minister said. The minister made the remarks when giving a general lecture at UNIMA University. He said that it was Indonesia's challenge in the future to put its domestic products in the market which was worth Rp360 trillion. In the current digital era, Indonesia must be built so that its domestic products will be able to compete with foreign goods. "We should not be outplayed by South Korea which is able to produce smart phones. It should not happen that we could only consume foreign electronic products," he said.

Citing as an example on the importance of innovation, the minister said iPhone production cost was only US$10 or about Rp100,000 but its selling price in Indonesia was more than US$400 or about Rp6.8 million. Ahead, the minister said, good leaders are leaders who are able to develop Indonesia's economy, unite plural society and advance democracy so that they are able to improve the welfare of the whole people. "In the coming 20 years, Indonesia will become the world's seventh or sixth economy," the minister said.

Source: ANTARA News

Nigeria To Spend 35m Euro On Polio Eradication

The Federal Government in Abuja signed a Memorandum of Understanding (MoU) to spend 35 million euro on the fifth phase of the polio eradication programme in Nigeria. Minister of Foreign Affairs, Prof. Viola Onwuliri said signing the MoU would facilitate the release of funds from the KFW Development Bank of Germany.

The minister recalled that in 2012, the German government had signed an agreement with Nigeria where 17 million euro was spent in an earlier phase of the polio eradication programme.

'The agreement we are signing is expected to facilitate the release of 35.5 million euro by KFW of Germany to assist Nigeria combat the scourge and transmission of polio as well as bridge the critical resource gap in our fight against polio.

She assured of the government's resolve to eradicate polio by 2015 and called on all Nigerians to cooperate in achieving the goal.

The Programme Manager, KFW Development Bank of Germany, Wolfgang Weth, said that Nigeria received a substantial amount out of the 100 million euro global funds for the eradication of polio.

Source: Daily Times Nigeria

Turkey And Tunisia Penned 21 New agreements

Turkey and Tunisia announced 21 new agreements, protocols and memoranda of understanding during the Turkish-Tunisian Business Forum in June. Turkish Prime Minister Recep Tayyip Erdogan said that Turkey and Tunisia established a bilateral economic relationship based on strong foundation.

Turkey offered a loan package of 500 million USD to Tunisia, which includes financial support for infrastructure projects in healthcare, housing, education and utilities.

Turkish PM stressed that Tunisia, with its intellectual young population, qualified workforce, strategic position opening to Africa, had opportunities as transit trade and logistics centre. Trade volume among the two countries should rapidly rise to 3 billion USD from a billion, suggested by Erdogan. Compared to Erdogan's statements, Tunisian Prime Minister Ali Laareydh pronounced the number "four" to increase the trading volume among the two countries.

Source: Anadolu Agency and Magharebia.

Morocco Leads North Africa In Terms Of FDI Inflows

According to the latest World Investment Report published by the UN, Morocco was the top recipient of foreign direct investment (FDI) in North Africa in 2012. It is the first time that the kingdom ranked number one in the region, even surpassing Egypt – historically the main recipient of FDI in North Africa and the largest Arab economy outside the Gulf countries. Morocco's industrial sector attracted the majority of FDI inflows, according to local sources.

The data, which were published in the 2013 World Investment Report produced by the UN Conference on Trade and Development (UNCTAD), reveal that Morocco and Sudan were the only two North African countries to have regained their pre-crisis levels. According to

UNCTAD, FDI accounted for 9.2% of Morocco's gross fixed capital formation in 2012, up from 8.2% in the previous year.

The rising trajectory in FDI partly reflects the relatively stable political and economic conditions in Morocco, especially when compared with Egypt, Tunisia and Libya – countries that are still reeling, to differing degrees, from the aftermath of the Arab Spring. However, a number of other factors have also contributed to Morocco's recent success in attracting FDI, including the kingdom's proactive policy towards foreign investors, its national privatisation programme and the availability of skilled workers with wages much lower than in developed countries.

Source: Ernst & Young

Arms: Morocco And Algeria Among Top 12 Buyers Worldwide

The US and Morocco recently signed a 12-billion-dollar arms contract, Moroccan Arab-language daily Al Massae reported.

The deal was inked under bilateral military cooperation accords on ''maritime security and fighting illegal maritime trafficking''. US defense contractor has agreed to deliver last-generation systems, train personnel, and organize joint naval exercises in the Mediterranean.

In spite of its economic difficulties Morocco has been steadily building up its military capability and is now the 12th arms importer worldwide, according to the Stockholm International Peace Research Institute's (SIPRI) annual report. Between 2008 and 2012, Morocco's arms buying has multiplied by 1,460 times, according to SIPRI.

Neighboring Algeria's weapons acquisitions jumped by 277 times in comparison, moving from 22nd world arms importer in 2011 to 6th this year, SIPRI data showed.

Source: ANSAmed

Indonesia, Yemen To Expand Oil And Gas Cooperation

Indonesia, Southeast Asia's main oil and gas producer, says it plans to expand its energy partnership with Yemen, an important country in the global oil trade.

Energy and Mineral Resources Ministry spokesman Saleh Abdurrahman said in Jakarta in September that the government proposed to Yemen, an oil and gas producer in the Arabian Peninsula, that it invest in the oil and gas industry in Indonesia.

"We have offered oil and gas business stakeholders in Yemen to consider investing in both the upstream and downstream sectors in the country, including refineries, pipelines,

exploration and CBM [coal bed methane] development," he said. "The details of the plan are currently being discussed."

The Yemeni government, according to Saleh, also offered Indonesia, a former member of the

Organization of the Petroleum Exporting Countries (OPEC), to invest in Yemen, but he declined to give further details pending future discussion.

Indonesia, the third-largest exporter of conventional liquefied natural gas (LNG) behind Qatar and Malaysia, is keeping an eye on unconventional gas, such as shale gas and CBM, to secure domestic supplies in the future.

Indonesia, which left OPEC in 2008 after becoming a net oil importer, currently produces around 830,000 barrels per day (bpd) of crude oil, much less than the 1.6 million bpd it produced back in 1995. Meanwhile, natural gas production is currently higher than crude oil production, at around 1,240,000 barrels of oil equivalent per day (boepd). On the other hand, according to data compiled by The Jakarta Post, Yemen's oil output in 2011 stood at 170,000 bpd, down from 259,000 bpd a year earlier. While oil production in Yemen is estimated to have plummeted by 2017, the country has abundant natural gas reserves of around 18.2 trillion cubic feet. Yemen's first LNG plant, with a production of 6.7 million tonnes per annum (MTPA), began operating in October 2009.

Source: National Yemen

Turkey Prepares For Launch For Next Satellite

Turkey prepares for the launch of the new TÜRKSAT 6A communication satellite, Sabah newspaper reported. Works on development of the project will start in coming months and works on construction of the satellite - from the next year.

According to the report, the country's government will finance the satellite project. Works on development of the project will start in coming months and works on construction of the satellite - from the next year.

On December 18, 2012, Turkey launched its second satellite Göktürk-2 from the Chinese Zhiuguan base. The satellite is used for defence purposes. Turkey launched its first own reconnaissance satellite RASAT in 2011.

Earlier, Minister of Science, Industry and Technology Nihat Ergun said that Turkey is preparing a 10-year programme of investment in the development of satellite technologies of the country. According to Ergun, Turkey's toppriority today is to create a satellite launching system.

Source: World Bulletin

AFDB Funds Conakry Electricity Network Rehabilitation And Extension Project

The African Development Bank (AfDB) Group will support Guinea's Conakry Electricity Network Rehabilitation and Extension Project (PREREC2) with a loan and a grant totalling US $16.66 million approved by its Board on 11 September 2013 in Tunis.

The project will help to improve governance and commercial management of Guinea Electricity Company (EDG), to support the government in reforming the sub-sector and to extend the electricity distribution network to 12 neighbourhoods in the Ratoma and Matoto municipalities in Conakry. It is a follow-up to (PREREC1) under completion in 30 other neighbourhoods of the same municipalities that has significantly improved the quality of electricity supplied to consumers.

The main expected outputs of the project by the target group are having access to quality electricity service and improving the environment

to become more suitable for the development of socio-economic activities. The total project cost is estimated at US $32.8 million. It is co-funded by the Islamic Development Bank (IDB) and the Guinean Government. The project will be implemented from 2013-2017.

Source: AllAfrica

Djibouti Begins Construction of Two Major Ports

Djiboutian President Ismail Omar Guelleh officially launched the construction of the Damerjog livestock port in Arta district and the multipurpose Doraleh port. Work on the Damerjog port includes construction of a terminal approximately 675 metres long that can accommodate up to five livestock ships and a transit area of five hectares to hold cattle between land and maritime travel. The traffic from this port will reach 2 million head of cattle in the first year, thanks to the infrastructure of Damerjog which is exclusively dedicated to this activity in the service of the countries of the region.

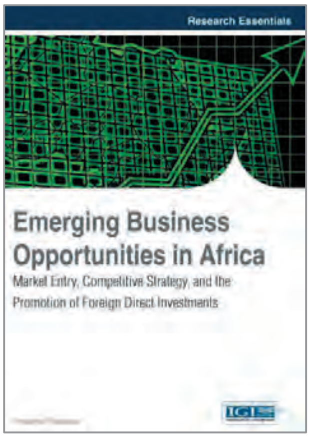
The economic impact in terms of earnings from exports will represent about $500 million per year, with only $70 million invested in the Damerjog livestock port. The multipurpose Doraleh port is intended to relieve the Port of Djibouti. It will be built in two phases at a total cost of $400 million. It will have a quay of 4,130 metres with 15 berths that can handle 29 million tonnes of cargo per year.

Source: AllAfrica

Book Reviews – Recent Titles

Emerging Business Opportunities in Africa: Market Entry, Competitive Strategy, and the Promotion of Foreign Direct Investments

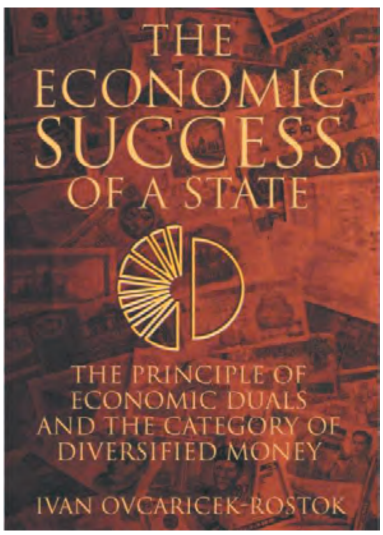
Christopher O. Gekonge, 392 pages, Business Science Reference, 2013



Despite its often mismanaged economy, Africa remains the third largest continent in land mass and population. It continues to offer unexploited business opportunities for entrepreneurs, global corporations, and institutions. *Emerging Business Opportunities in Africa: Market Entry, Competitive Strategy, and the Promotion of Foreign Direct Investments* presents the basic business modelling for developing appropriate strategies in exploiting these business opportunities in the emerging economy in Africa. This book offers insight into the challenges and successes aiming to encourage researchers and students of business in creating a value for doing business in Africa. Topics covered include: Africa in the Global Economy, Competitive Strategies, Enabling Opportunities, Global Competitiveness, Market Entry, National Literacy Levels, and Private Sector Growth.

The Economic Success of a State: The Principle of Economic Duals and the Category of Diversified Money

Ivan Ovcaricek-Rostok, 274 pages, Strategic Book Publishing, 2013



The Economic Success of a State is divided into three parts. The first part describes a newly found economic regularity named "economic dual" and the theoretical approach to generate the power of an economic space. The second part lists everything connected with the economic cores and resources of their creation: The economy of the projects that create them, their development, and their creation by industrial zones; combinations for their creation and possibilities to quicken their creation; and a practical frame for generating economic cores as the leading constitutive part of economic duals. The third part deals with optimizations by using economic duals, models for the optimization in the state economy are given, as well as the choice of models. The general frame for state economy is conceived, the role of politics in the state economy is described, and the use of the economic duals, economic regularities, and facts connected with them and sources of possible damages to the state economy are revealed. This part also includes a newly conceived concept named "diversified money" as a protective mechanism for the state economy against incurring foreign debts; the possible positive effects of using the principle of economic duals; the optimal economic policy of the state; and errors in the state economy.

Integrating Sustainable Development into International Investment Agreements: A Guide for Developing Country Negotiators

J. Anthony VanDuzer, Penelope Simons, Graham Mayeda, 500 pages, Commonwealth Secretariat, 2013

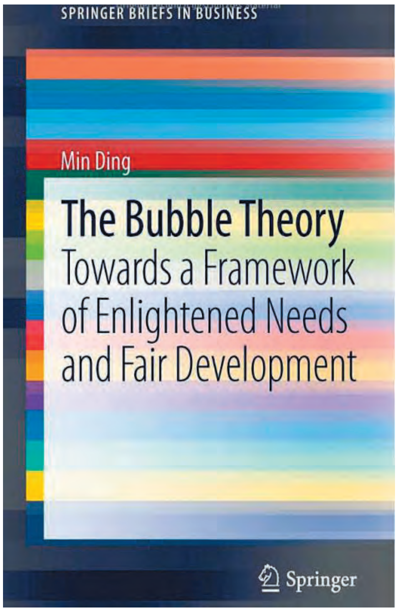
As International Investment Agreements (IIAs) continue to evolve and become increasingly complex, a key challenge for developing countries is how to maintain coherent investment obligations that are consistent across any overlapping treaty provisions. An even greater challenge is the effective negotiation of trade in services and investment commitments in Preferential Trade Agreements to make foreign investment supportive of development.

This guide is designed to assist developing countries to negotiate IIAs that are more effective in promoting their sustainable development. It identifies and consolidates emerging best practices from existing treaty models, evaluating the costs and benefits of different approaches; suggesting new and innovative provisions to encourage foreign investment flows; and outlining how states can achieve coherence among their IIAs.

A useful reference tool for developing country negotiators and interested parties, including investment promotion agencies, policy-makers, legislative drafters and officials in government legal departments.

The Bubble Theory: Towards a Framework of Enlightened Needs and Fair Development

Min Ding, 100 pages, Springer, 2013

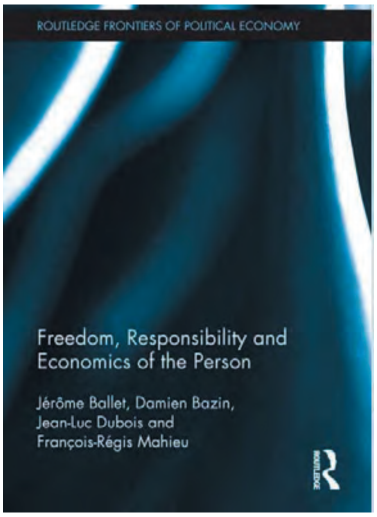


The term sustainable development (SD) has now become a ubiquitous idea, philosophy, and guiding principle in our society. Governments, business, NGOs and individuals have embraced the mind-set, and even the education institutions talk about graduating young people with sustainability in their DNA. Despite its noble origin, however, sustainable development is a concept that embodies compromise. This compromise has led to a term that is devoid of scientific foundation and actionable guidelines.

In this volume, Min Ding offers an alternative to SD, introducing a framework, which he calls the *Bubble Theory*, built on three layers: the symbiotic duo (subconscious desires at the self and species levels); enlightened needs (manifested desires of the self and species beyond basic survival and procreation), and human development principles (with fair development as the ideal principle for the present). These fundamental concepts of enlightened needs (EN) and fair development (FD) have profound implications for both the theory and application of new practices in business and policymaking.

Freedom, Responsibility and Economics of the Person

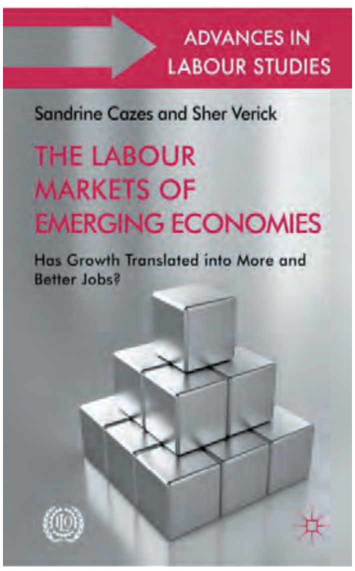
Jérôme Ballet, Damien Bazin, Jean-Luc Dubois, François-Régis Mahieu, 192 pages, Routledge, 2013



The capability approach has developed significantly since Amartya Sen was awarded the Nobel Prize in Economics in 1998. It is now recognised as being highly beneficial in the analysis of poverty and inequality, but also in the redefinition of policies aimed at improving the well-being of individuals. The approach has been applied within numerous sectors, from health and education to sustainable development, but beyond the obvious interest that it represents for the classical economics tradition, it has also encountered certain limitations. While acknowledging the undeniable progress that the approach has made in renewing the thinking on the development and well-being of a population, this book takes a critical stance. It focuses particularly on the approach's inadequacy vis-à-vis the continental phenomenological tradition and draws conclusions about the economic analysis of development. In a more specific sense, it highlights the fact that the approach is too bound by standard economic logic, which has prevented it from taking account of a key 'person' dimension — namely, the ability of an individual to assume responsibility. As a result, this book advocates the notion that if the approach is used carelessly in relation to development policies, it can cause a number of pernicious effects, some of which may lead to disastrous consequences.

The Labour Markets of Emerging Economies: Has Growth Translated into More and Better Jobs?

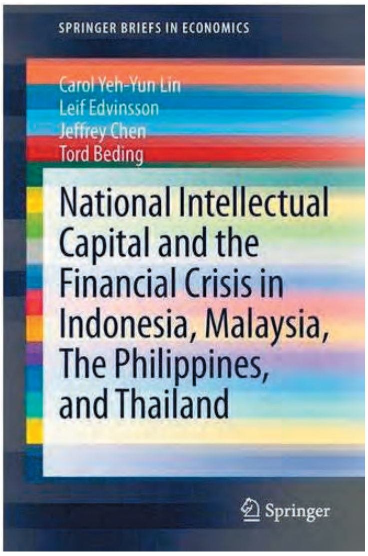
Sandrine Cazes, Sher Verick, 304 pages, Palgrave Macmillan, 2013



The past few decades have witnessed the economic and geopolitical rise of a number of large middle-income countries around the world, which have to varying degrees embarked on a rapid path to economic development. This volume focuses on the labour market situations, trends and regulations in these emerging economies, examining how they have dealt with both short-term issues, namely the global financial crisis, and longer-term structural challenges. Despite the economic progress made, improvements in the labour market have not been as impressive. Informality, working poverty and vulnerable employment continue to be the norm for most workers in these countries. Part I of the volume compares labour market trends and the institutional and regulatory environments, referencing a range of countries including China and India. Part II includes in-depth case studies of Brazil, Indonesia, South Africa and Turkey. Overall, the volume shows that countries with effective policies and institutions in place are better equipped to tackle labour market challenges.

National Intellectual Capital and the Financial Crisis in Indonesia, Malaysia, The Philippines, and Thailand

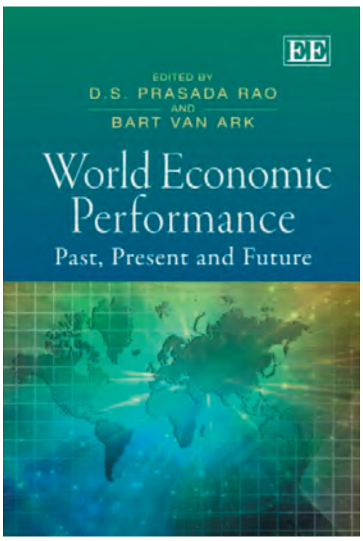
Carol Yeh-Yun Lin, Leif Edvinsson, Jeffrey Chen, Tord Beding, 100 pages, Springer, 2013



In the first decade of the twenty-first century, the biggest event of worldwide proportion was the 2008 global financial crisis, which was caused primarily by ineffective governance, failed surveillance systems, and implementation flaws. While fiscal and monetary policies succeeded in pulling many countries out of a financial free-fall, most economies have performed beneath pre-recession levels as governments continued to struggle with their finances. Examining the financial crisis from the viewpoint of intangible assets provides a different perspective from traditional economic approaches. National Intellectual Capital (NIC), comprised mainly of human capital, market capital, process capital, renewal capital, and financial capital, is a valuable intangible asset and a key source of national competitive advantage in today's knowledge economy. The authors—pioneers in the field—present extensive data and a rigorous conceptual framework to analyse the connections between the global financial crisis and NIC development. Covering the period from 2005 to 2010 across 48 countries, the authors establish a positive correlation between NIC and GDP per capita and consider the impact of NIC investment for short-term recovery and long-term risk control and strategy formulation. This volume with a focus on Indonesia, Malaysia, The Philippines, and Thailand provides in-depth coverage of the impact of the crisis, the aftermath, future prospects, and policy implications for a regional cluster.

World Economic Performance: Past, Present and Future

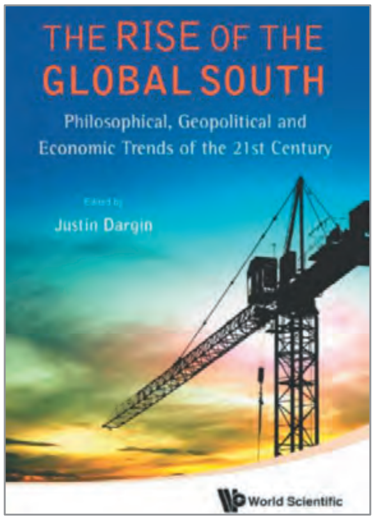
D. S. Prasada Rao, Bart Van Ark, 448 pages, Edward Elgar Pub, 2013



This new book discusses the *World Economic Performance* over the last 50 years and tackles topical questions such as; what are the socio-economic and institutional factors that have contributed to this impressive performance? Will China and India continue to grow at the same rate over the next two decades? What are the prospects for Japan, the US and other advanced economies? The book brings together contributions by eminent scholars including the late Angus Maddison, Professors Justin Lin, Bob Gordon, Ross Garnaut, Bart van Ark and others to provide answers to these fascinating questions. The chapters analyse the economic performance of selected countries including China, India, Japan, Indonesia and the United States, as well as Western Europe, Latin America and developing countries as a group. The time period is from 1850 to the present and includes forecasts to 2030.

The Rise of The Global South: Philosophical, Geopolitical and Economic Trends of the 21st Century

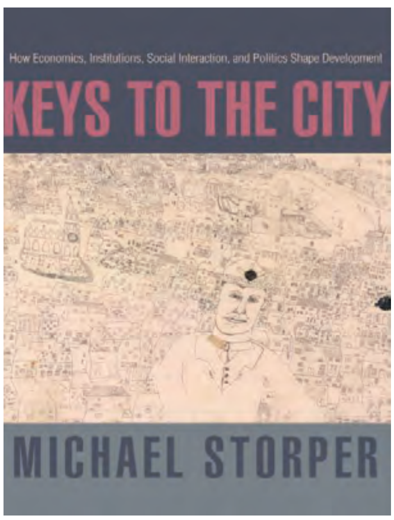
Justin Dargin, 452 pages, World Scientific Publishing Company, 2013



This book provides a broad and in-depth introduction to the geopolitical, economic and trade changes wrought with the increasing influence of the countries of the Global South in international affairs. The global role of the developing countries came to the forefront in 1974, when the United Nations General Assembly promulgated The New International Economic Order. Since then, the countries of the Global South, particularly China, India, Brazil, Saudi Arabia, South Africa and Qatar, made an indelible impact upon the world's economic architecture. However, their true influence became starkly illustrated during the onset of the 2000s, when several seismic events occurred. The 9/11 terrorist attacks - with the resultant debilitating wars in Iraq and Afghanistan - extreme world commodity price increases and the global financial crisis of 2007-2008 all served to wrench the epicentre of global influence increasingly southward. While the developed countries of the Global North became mired in economic stagnation with problems associated with the global financial crisis, their collective influence waned. Since then, the world has been attempting to accommodate, somewhat unevenly, the rising geopolitical and economic clout of the Global South.

Keys to the City: How Economics, Institutions, Social Interaction, and Politics Shape Development

Michael Storper, 279 pages, Princeton University Press, 2013



Why do some cities grow decline? Why do some show while others cycle up and down? In Storper, one of the world's leading why we should consider economic regional context--at the level of the economies develop unequally. that shape urban economic institutional, innovational and book explores how these contexts leading to developmental success in others. Demonstrating that the driven by its major cities, the keys development. In his conclusion,

economically while others sustained economic performance Keys to the City, Michael economic geographers, looks at development issues within a city-region--and why city Storper identifies four contexts development: economic, interactional, and political. The operate and how they interact, some regions and failure in global economy is increasingly to the city are the keys to global Storper specifies eight rules of economic development targeted at policymakers. *Keys to the City* explains why economists, sociologists, and political scientists should take geography seriously.

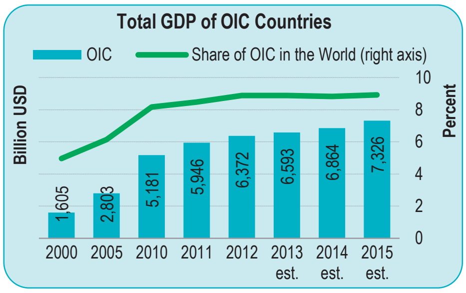
ECONOMIC and FINANCIAL INDICATORS

Country	GDP: 2013 Est. (Billion USD)	GDP: 2014 Est. (Billion USD)	GDP Growth 2013 Est.	GDP Growth 2014 Est.	Inflation Rate (CPI*) 2013 Est.	Inflation Rate (CPI*) 2014 Est.
Afghanistan	21.0	22.6	3.10	4.76	6.11	5.81
Albania	13.4	13.9	1.80	2.50	2.17	2.74
Algeria	210.5	212.2	3.33	3.43	5.00	4.50
Azerbaijan	77.2	88.7	4.14	5.84	3.37	6.75
Bahrain	28.1	28.8	4.15	3.29	2.55	2.15
Bangladesh	135.1	146.3	6.01	6.36	6.54	6.21
Benin	8.2	8.8	4.14	4.10	3.47	2.80
Brunei	16.5	16.8	1.19	6.00	1.50	1.97
Burkina Faso	12.0	13.0	7.03	6.95	2.00	2.00
Cameroon	28.1	30.0	5.40	5.52	3.00	2.50
Chad	12.0	13.5	8.07	10.53	1.52	3.00
Comoros	0.7	0.7	3.55	3.99	4.29	3.42
Côte d'Ivoire	28.3	31.1	7.97	7.97	3.10	2.50
Djibouti	1.5	1.6	4.96	4.96	2.50	2.50
Egypt	264.7	268.8	2.01	3.26	8.24	13.66
Gabon	19.3	20.1	6.08	6.82	3.00	3.00
Gambia	1.0	1.1	8.90	8.53	5.45	5.50
Guinea	6.3	6.3	4.51	5.23	11.23	8.07
Guinea-Bissau	0.9	1.0	4.20	10.20	3.00	2.50
Guyana	3.0	3.3	5.51	5.99	5.59	5.70
Indonesia	946.4	1,032.4	6.30	6.40	5.57	5.57
Iran	429.2	362.3	-1.25	1.09	27.20	21.10
Iraq	233.3	253.7	9.04	8.45	4.30	5.50
Jordan	34.1	36.7	3.25	3.50	5.89	3.18
Kazakhstan	214.1	231.6	5.50	5.65	7.22	6.40
Kuwait	173.4	175.2	1.06	3.15	3.33	3.78
Kyrgyzstan	7.2	8.0	7.37	7.46	8.61	7.22
Lebanon	43.8	46.7	2.00	4.00	6.66	2.39
Libya	96.4	100.8	20.19	10.10	2.00	5.20
Malaysia	327.9	353.2	5.10	5.20	2.20	2.40
Maldives	2.4	2.6	3.76	4.04	5.82	5.14
Mali	11.4	12.4	4.82	6.28	2.92	2.91
Mauritania	4.5	4.7	5.91	5.78	4.67	5.20
Morocco	107.1	114.3	4.52	4.78	2.47	2.53
Mozambique	15.8	17.2	8.40	8.00	5.44	5.60
Niger	7.3	7.9	6.17	6.43	1.73	1.58
Nigeria	283.7	304.1	7.16	7.02	10.67	8.19
Oman	78.8	79.8	4.16	3.45	3.33	3.26
Pakistan	238.9	246.3	3.51	3.31	8.16	9.51
Palestine[1]	10,254.6	n.a	5.85	n.a	n.a	n.a
Qatar	188.8	196.6	5.20	5.02	3.02	3.97
Saudi Arabia	745.6	761.5	4.39	4.17	3.74	3.57
Senegal	14.4	15.4	4.02	4.59	1.52	1.64
Sierra Leone	4.5	5.2	17.14	14.20	8.67	8.17
Somalia	n.a	n.a	n.a	n.a	n.a	n.a
Sudan	50.6	59.8	1.16	2.55	28.44	29.35
Suriname	5.3	5.7	4.46	4.46	4.83	3.99
Syria	n.a	n.a	n.a	n.a	n.a	n.a
Tajikistan	8.6	9.3	7.00	6.00	7.72	6.97
Togo	4.1	4.4	5.13	5.47	4.22	3.46
Tunisia	49.5	51.1	4.00	4.50	6.00	4.70
Turkey	851.8	882.0	3.43	3.73	6.64	5.30
Turkmenistan	40.2	47.7	7.71	7.94	5.64	5.50
Uganda	21.4	22.7	4.84	6.22	5.47	5.00
UAE	369.4	381.6	3.14	3.60	1.59	1.91
Uzbekistan	56.5	61.2	7.00	6.50	10.94	11.00
Yemen	39.0	41.4	4.39	5.44	7.50	8.73

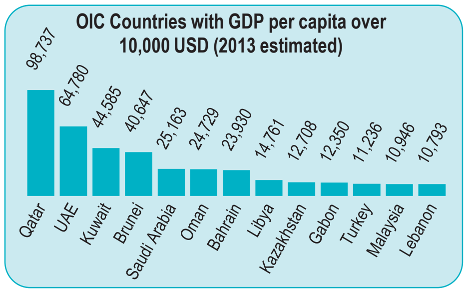
* CPI: Average consumer prices

Source: BASEIND, IMF WEO April 2013

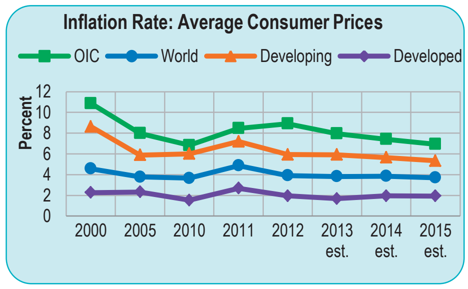
[1] The figures reflect the data of year 2012 (Palestinian Central Bureau of Statistics)



Source: IMF WEO April 2013



Source: IMF WEO April 2013



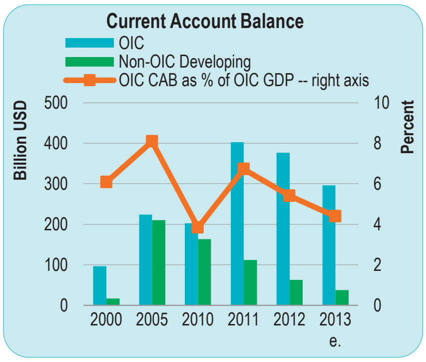
Source: BASEIND, IMF WEO April 2013

Stock Exchange Performance

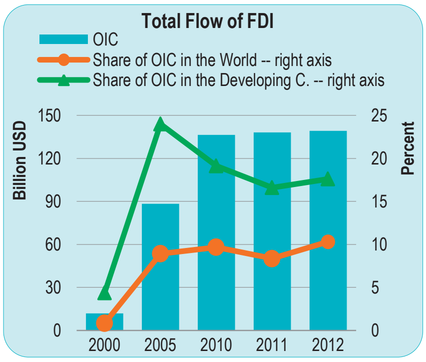
Country	Last 13.09.2013	3-Months to Date[1]	Year to Date[1]	1 Year[1]
Bahrain	164.24	-4.39%	-3.54%	-7.54%
Bangladesh	673.62	-3.92%	-0.84%	-1.11%
Egypt	557.39	10.89%	-12.40%	-19.56%
Indonesia	733.34	-20.57%	-17.33%	-14.86%
Jordan	86.67	-6.48%	-17.07%	-16.92%
Kazakhstan	480.13	-4.70%	-13.23%	-12.38%
Kuwait	578.00	3.39%	1.71%	10.24%
Lebanon	660.80	-1.59%	-9.77%	-6.91%
Malaysia	480.50	-4.69%	-1.33%	2.59%
Morocco	266.78	-6.33%	-14.78%	-18.33%
Nigeria	550.43	-0.28%	10.21%	25.58%
Oman	767.61	3.44%	8.10%	9.80%
Pakistan	121.94	5.85%	21.55%	25.80%
Qatar	880.25	4.21%	16.45%	11.97%
Saudi Arabia[2]	504.39	5.65%	15.65%	12.14%
Tunisia	998.75	-3.18%	-6.78%	-14.73%
Turkey	511.44	-10.28%	-19.38%	-4.81%
UAE	322.91	7.36%	48.22%	54.94%
Arabian Markets	*550.80*	*5.15%*	*12.44%*	*11.05%*
Emerging Markets	*986.84*	*4.95%*	*-6.48%*	*0.49%*
Frontier Markets	*545.63*	*3.42%*	*11.37%*	*17.41%*
GCC Countries	*510.71*	*5.23%*	*15.22%*	*14.46%*

Source: Morgan Stanley Capital International **1.** in US$ terms **2.** Domestic

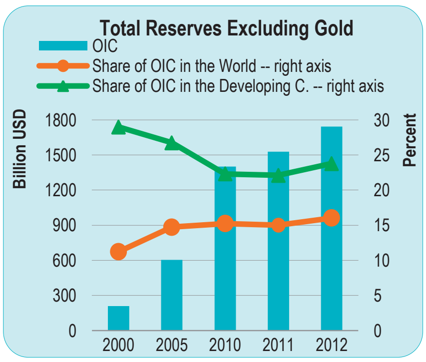
ECONOMIC and FINANCIAL INDICATORS



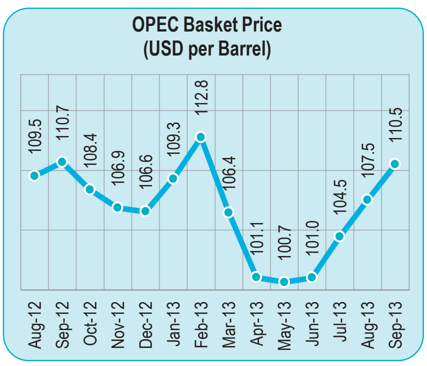
Source: IMF WEO April 2013



Source: UNCTADSTAT



Source: SESRIC BASEIND



Source:OPEC

Country	National Currency per USD: 2012 (Period Average)	Current Account Balance: 2012 (Million USD)	Current Account Balance: 2013 Est. (Million USD)	Foreign Direct Investment: 2012 (Million USD)	Total Reserves Excluding Gold: 2012 (Million USD)
Afghanistan	50.92	800	341	94	5,983
Albania	108.18	-1,283	-1,264	957	2,516
Algeria	77.54	12,269	12,807	1,484	191,297
Azerbaijan	0.79	13,973	8,174	2,005	11,277
Bahrain	0.38	4,170	3,827	891	5,205
Bangladesh	81.86	452	425	990	12,031
Benin	510.53	-724	-620	159	713
Brunei	1.25	8,061	7,425	850	3,315
Burkina Faso	510.53	-494	-447	40	1,025
Cameroon	510.53	-1,099	-976	507	3,381
Chad	510.53	-226	-507	323	1,156
Comoros	382.90	-32	-44	17	194
Côte d'Ivoire	510.53	-448	-777	478	3,928
Djibouti	177.72	-181	-160	100	249
Egypt	6.06	-7,928	-5,458	2,798	11,628
Gabon	510.53	2,324	2,030	702	2,352
Gambia	32.08	-156	-157	79	236
Guinea[1,2]	6,658.03	-1,918	-1,578	744	114
Guinea-Bissau	510.53	-53	-53	16	165
Guyana	204.02	-368	-426	231	864
Indonesia	9,386.63	-24,183	-31,056	19,853	108,837
Iran	12,175.55	26,765	15,623	4,870	n.a.
Iraq	1,166.17	14,890	8,449	2,549	68,733
Jordan	0.71	-5,640	-3,420	1,403	8,090
Kazakhstan	149.11	8,971	8,633	14,022	22,132
Kuwait	0.28	78,084	70,804	1,851	28,886
Kyrgyzstan	47.00	-822	-550	372	1,903
Lebanon	1,507.50	-6,637	-7,048	3,787	37,186
Libya	1.22	29,372	24,861	n.a	120,919
Malaysia	3.09	19,417	19,557	10,074	137,784
Maldives	15.36	-584	-664	284	318
Mali	510.53	-353	-783	310	1,341
Mauritania	296.62	-1,084	-934	1,204	949
Morocco	8.63	-9,363	-7,480	2,836	16,356
Mozambique	28.37	-3,813	-4,004	5,218	2,770
Niger	510.53	-1,161	-1,390	793	1,015
Nigeria	156.81	17,742	15,629	7,029	46,405
Oman	0.38	11,949	7,798	1,514	14,400
Pakistan	93.40	-4,634	-1,664	847	10,242
Palestine	n.a	-2,815	n.a	244	n.a
Qatar	3.64	54,155	55,260	327	32,521
Saudi Arabia	3.75	177,229	143,148	12,182	656,464
Senegal	510.53	-1,353	-1,218	338	2,082
Sierra-Leone	4,344.04	-787	-439	740	478
Somalia	n.a	n.a	n.a	107	n.a
Sudan	3.57	-6,717	-3,478	2,466	193
Suriname	3.30	304	206	70	885
Syria	11.23	n.a	n.a	n.a	n.a
Tajikistan	4.74	-146	-191	290	298
Togo	510.53	-290	-284	166	442
Tunisia	1.56	-3,671	-3,626	1,918	8,357
Turkey	1.80	-46,935	-57,906	12,419	99,943
Turkmenistan	n.a	579	1,025	3,159	n.a
Uganda	2,504.56	-2,285	-2,746	1,721	3,167
UAE	3.67	29,402	30,877	9,602	47,035
Uzbekistan	n.a	1,371	1,972	1,094	n.a
Yemen	214.35	-136	-1,679	349	6,068

1. NCU per USD reflects the data of 2011.

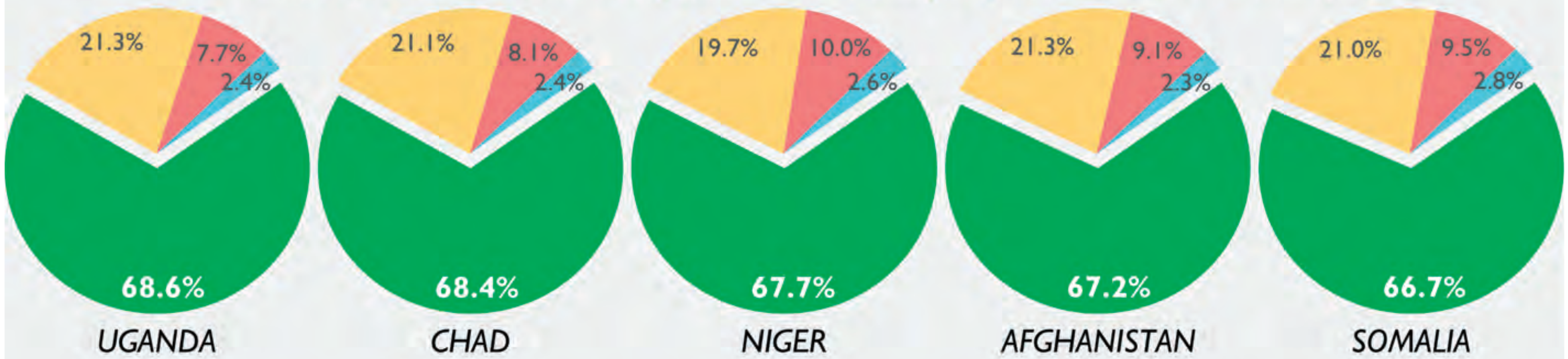
2. Total Reserves reflect the data of 2011.

Source: BASEIND; IMF DOTS; IMF WEO April 2013; World Bank WDI Online.

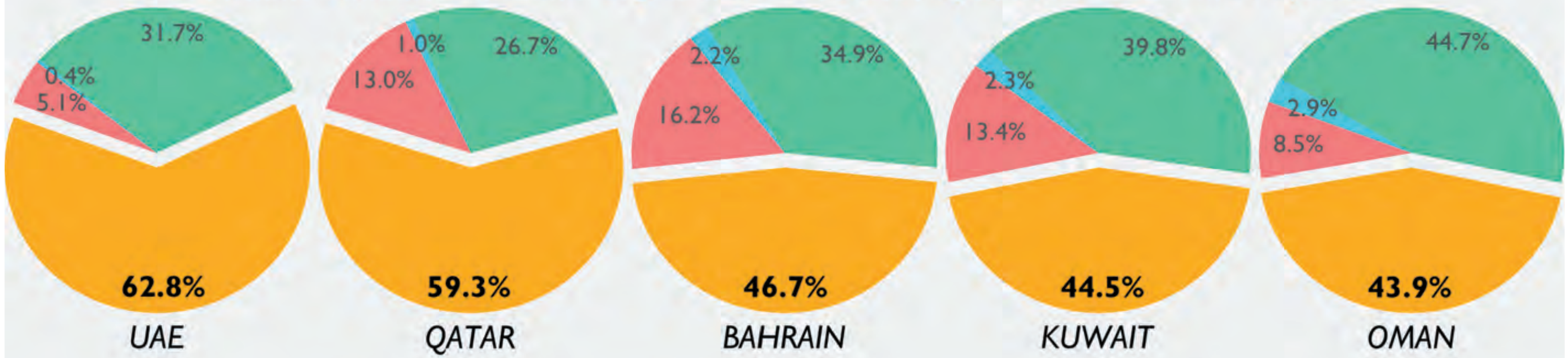
Population Age Composition

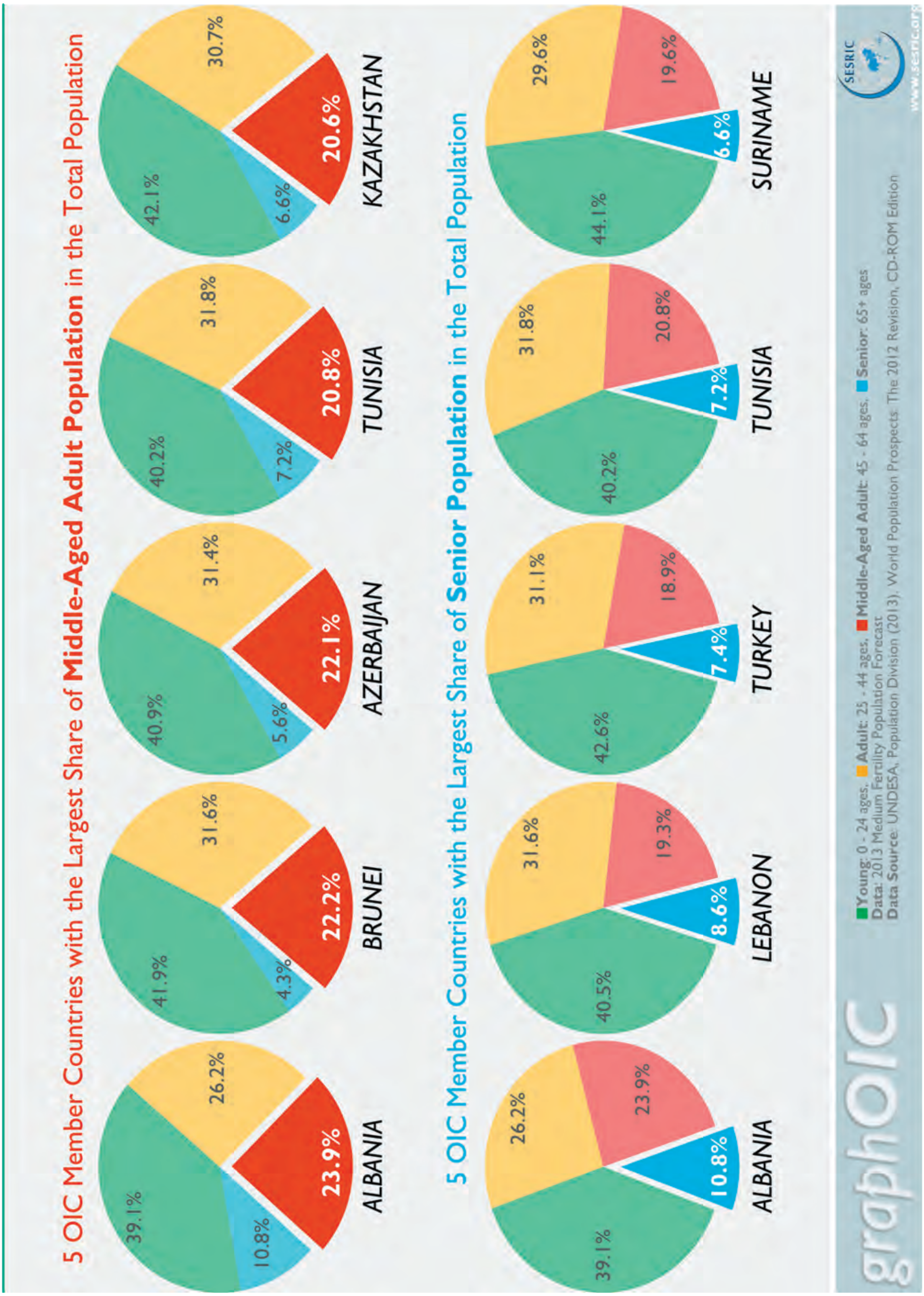
The age composition of a population has a significant influence on the decisions for allocating public funds on either schools, childcare, immunization and reproductive health, or old-age social security systems and health care for chronic and degenerative diseases. This **graphOIC** displays top five OIC Member Countries with respect to the estimated proportion of young (0-24), adult (25-44), middle-aged adult (45-64), and senior (65+) age groups in their total population in 2013.

5 OIC Member Countries with the Largest Share of **Young Population** in the Total Population



5 OIC Member Countries with the Largest Share of **Adult Population** in the Total Population




5 OIC Member Countries with the Largest Share of Middle-Aged Adult Population in the Total Population
39.1%
26.2%
23.9%
10.8%
ALBANIA
41.9%
31.6%
22.2%
4.3%
BRUNEI
40.9%
31.4%
22.1%
5.6%
AZERBAIJAN
40.2%
31.8%
20.8%
7.2%
TUNISIA
42.1%
30.7%
20.6%
6.6%
KAZAKHSTAN
5 OIC Member Countries with the Largest Share of Senior Population in the Total Population
39.1%
26.2%
23.9%
10.8%
ALBANIA
40.5%
31.6%
19.3%
8.6%
LEBANON
42.6%
31.1%
18.9%
7.4%
TURKEY
40.2%
31.8%
20.8%
7.2%
TUNISIA
44.1%
29.6%
19.6%
6.6%
SURINAME
Young: 0 - 24 ages, Adult: 25 - 44 ages, Middle-Aged Adult: 45 - 64 ages, Senior: 65+ ages
Data: 2013 Medium Fertility Population Forecast
Data Source: UNDESA, Population Division (2013), World Population Prospects: The 2012 Revision, CD-ROM Edition
graphOIC
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