25th SAARC Charter Day

To commemorate the 25th Anniversary of the South Asian Association of Regional Cooperation (SAARC), the SAARC Chamber of Commerce & Industry organized a seminar under the theme of "Intra-Regional connectivity in South Asia: Challenges & Prospects" in Marriott Hotel, Islamabad on 8th December, 2010.

The seminar was inaugurated by Chief Guest H.E. Mr. Sharat Sabharwal, Indian High Commissioner, while Mr. Jahangir Bader, Secretary General, Pakistan People’s Party was invited as Guest of Honour. Mr. Iftikhar Ali Malik, Vice President (Pakistan) SAARCCCI, in his welcome address said that lack of political commitment, protectionists policies, non-resolution of issues have been regarded as the main hurdles in the process of development of South Asia despite the fact that all member states of SAARC have been making endeavors for enhancing cooperation at socio-economic level, however, earnest commitment to resolve political issues is drastically required to achieve the objective of SAFTA.

Chief Guest of the event H.E. Mr. Sharat Sabharwal, Indian High Commissioner in Pakistan in his keynote address that the SAARC had started cooperation in many important areas. He mentioned in particular the SAARC development fund, Food Bank, SAFTA & South Asian University as a few examples. He further added that to facilitate connectivity among SAARC countries India proposed to develop 13 integrated check posts at its border with different SAARC countries at a cost of 6.35 billion Indian Rupees. He mentioned that India has participated actively and with a positive attitude in the celebrations of SAARC member countries to develop intra-regional connectivity, including through the Indian Territory.

Guest of honor of the event, Mr. Jahangir Bader, Secretary General, Pakistan People’s Party, in his speech said that SAARC has every potential to grow. It forms one-fifth of the world market and offers enormous opportunities for economic cooperation. He further added that the broader mandate of SAFTA after the inclusion of services provides excellent opportunity to business community of South Asia in the areas of education, health, tourism, transportation, banking & finance. He also proposed the idea of common currency for South Asian countries.

Earlier Mr. Iqbal Tabish, Secretary General SAARC CCI, in his introductory remarks said that SAARC as the organization was not a failure rather; it is sluggish on account of the political mindset, which is the biggest impediment to the growth of South Asia. He urged upon the people to people connectivity, infrastructure development and connectivity through telecommunication, air, road, sea and land to achieve the objectives envisaged under SAFTA.

Dear Readers,
The SAARC Biz is published as a monthly venture to keep our members abreast with the latest activities of the SAARC CCI and henceforth mainly covers the various events held in the region. This issue comprises activities of SAARC CCI during December 2010 coupled with other informative stuff. Your comments and feedback to further improve the contents of the bulletin are appreciated.
Mr. Zubair Ahmed Malik, Former EC Member, SAARC CCI, while concluding the inaugural session said that the Governments of South Asia will have to demonstrate greater political will to make SAARC a successful organization.

Working session of the seminar was chaired by Dr. Safdar Sohail, DG - Ministry of Commerce while Dr. Zafar Mueen Nasar, Chief of Research at PIDE (Islamabad) delivered lecture on “Intra-regional Connectivity in South Asia” and highlighted the Challenges and prospects for SAARC. Mr. Rehmatullah Javed Vice Chairman of SAARC CCI Trade Facilitation Council responded the lecture. Some valuable suggestions and recommendations for policy making were discussed by the distinguished speakers at the occasion representing SAARC Countries including Mr. Durga Parasad Bhandari, Deputy High Commissioner, Royal Embassy of Nepal, Dr. Muhammad Pervaz, Program Leader Technology Transfer and Mr. Shahzada Khalid, Deputy Director at SAARC Energy Centre, and the vote of thanks was extended to the respected delegates and participants by Mr. Shahrurk Malik, Chairman of SAARC CCI Young Entrepreneur Forum.

The seminar was widely attended by the senior diplomats from SAARC member and observer countries in Pakistan including Mr. Afrasiab, Director General South Asia Division, Ministry of Foreign Affairs, Govt. of Pakistan, H.E Mr. Suhrab Hossain, High Commissioner of Bangladesh in Pakistan, CEOs/Presidents of SAARC affiliated institutions, business leaders, academic experts, professionals and civil society representatives etc. who met and shared their views to make SAARC a prosperous region.

Mr. Annisul Huq, President SAARC CCI Calls on Commerce Minister of Bangladesh.

Mr. Annisul Huq, President SAARC Chamber of Commerce & Industry and Mr. Iqbal Tabish, Secretary General called on Minister of Bangladesh Lt Col (Rtd) Muhammad Faruk Khan, MP on December 22, 2010 to exchange views of areas of mutual interest. On this occasion, Mr. Annisul Huq and Mr. Tabish briefed the Commerce Minister about the role and functions of SAARC CCI towards promotion of economic cooperation in South Asia and sought assistance of the Government of Bangladesh for the 4th SAARC Business Leaders Conclave which will take place at Dhaka, Bangladesh in the first Week of May 2011. The Commerce Minister ensured all possible cooperation in this regard and hoped the 4th SBLC hosted by Bangladesh National Chamber FBCCI will help promote further economic cooperation in South Asia and the business community of Bangladesh will get larger benefits from the most prestigious event of SAARC CCI.

During course of discussion Commerce Minister of Bangladesh said that the SAARC could be instrumental to alleviate poverty and bring about peace and prosperity provided India and Pakistan positively change their mindset and make serious efforts for regional Integration of South Asia. He was of the opinion that due to political rift between two major players of South Asia, the SAARC was unable to achieve the objectives for which it was created 25 years ago. He regarded hunger and poverty were the real enemies of humanity and asked the leadership of SAARC Chamber of Commerce & Industry to use this platform more affectively to defuse political tension through trade diplomacy. He admired the role of SAARC CCI for voice the concerns of Private Sector under the leadership of Mr. Annisul Huq.
Mr. Iqbal Tabish, Secretary General, SAARC CCI presenting a bouquet to H.E Mr. Sharat Sabharwal, Indian High Commissioner in Pakistan, on his arrival.

Mr. Iqbal Tabish, Secretary General, SAARC CCI while delivering introductory remarks at the inaugural session of Silver Jubilee celebration of SAARC.

Mr. Iftikhar Ali Malik, Vice President, SAARC CCI (Pakistan) while addressing at the inaugural session of Silver Jubilee celebration of SAARC.

Guest of honor, Mr. Jhangir Bader, Secretary General, Pakistan Peoples Party, while addressing at the inaugural session of Silver Jubilee celebration of SAARC.

Mr. Zubair Ahmed Malik, Chief Coordinator EFNL-Pakistan while addressing at the inaugural session of Silver Jubilee celebration of SAARC.
Presentation of SAARC CCI official crest to Chief Guest H.E Mr. Sharat Sabharwal, Indian High Commissioner in Pakistan: (L-R) Mr. Iqbal Tabish, Secretary General, SAARC CCI, Mr. Durga Parsad, Deputy High Commissioner of Nepal in Pakistan, Mr. Jhangir Bader, Secretary General, Pakistan Peoples Party, Mr. Iftikhar Ali Malik, Vice President, SAARC CCI, H.E Mr. Sharat Sabharwal, H.E Mr. Suhrab Hossain, High Commissioner of Bangladesh in Pakistan, Mr. Zubair Ahmed Malik, Chief Coordinator, EFN- Pakistan.

Presentation of SAARC CCI official crest to Guest of honor Mr. Jhangir Bader, Senator & Secretary General, Pakistan Peoples Party: H.E Mr. Sharat Sabharwal, Indian High Commissioner in Pakistan is also seen.

Mr. Rehmat Ullah Javed, Vice Chairman, SAARC CCI council on Trade Facilitation, while presenting his views during working session.

Dr. Zafar Moin Nassir, Chief Economist, Pide while making his presentation during working session.

Mr. Shahzada Khalid, Deputy Director at SAARC Energy Centre, while making his presentation.

Dr Safdar Sohail, DG- Ministry of Commerce, Govt of Pakistan, while chairing the working session of seminar.
Mr. Shahrukh Malik, Chairman SYEF while delivering vote of thanks.

Mr. R.K. Sharma, Visa Councilor & H.E Mr. Sharat Sabharwal, Indian High Commissioner, High Commission of India in Pakistan and Mr. Iftikhar Ali Malik, Vice President (Pakistan), SAARC CCI pose for a group photo.

Mr. Ejaz Tufail, Life Member, SAARC CCI, Senator, Ghulam Ali, President-FPCCI, Mr. Iftikhar Ali Malik, Vice President, SAARC CCI, Mr. Fazal Elahi and Mr. Adnan Jali, EC Members, SAARC CCI, pose for group photo.

Mr. Iftikhar Ali Malik, Vice President, SAARC CCI (Pakistan), Mr. Hameed Akhter Chadda, Vice President-FPCCI and Mian Atiq, Snr Vice President, Rawalpindi Chamber of Commerce & Industry.

(L-R) Mr. Bader Munir, Assistant Secretary, Mr. Zulfiqar Ali Butt, Deputy Secretary General and Mr. Iqbal Tabish, Secretary General, SAARC CCI during the seminar.

Mr. Jhangir Bader, Secretary General, Pakistan Peoples Party, Mr. Wu Jin Song, Chief Representative of CCPI, Sichuan Council & Mr. Zulfiqar Ali Bader, Vice Chairman (Pakistan), SCYEF.
SOUTH ASIA RECOVERING FROM THE GLOBAL CRISIS

South Asia is a relatively small geographic region of eight countries with a large combined population (1.5 billion people), second only to East Asia (2 billion), and with great diversity in size and circumstance. India (1.13 billion), Bangladesh (160 million), Pakistan (166 million), and Sri Lanka (20 million) compose the diversified economies. By contrast, the region also contains two very small, relatively specialized economies: Bhutan (0.7 million) and Maldives (0.3 million). The remaining two economies consist of the relatively un diversified and landlocked economies of Nepal (28 million) and Afghanistan (28 million).

With an average per capita gross national income (GNI), by Atlas method of US$963 (2008), South Asia remains a low-income region that is on the verge of becoming middle-income in contrast to a decade ago. Nearly 80 percent of the region’s GDP originates in India, South Asia’s fastest-growing and biggest economy, with Pakistan and Bangladesh accounting for another 10 and 7 percent, respectively, and with the remainder divided among the others. Although intraregional trade is the lowest in the world—about 5 percent of total external trade—informal and unrecorded border trade is significant. Domestic food and other commodity prices converge across borders, in part because of such trade. Bhutan and Nepal enjoy unrestricted trade, capital flows, and labor migration access to neighboring Indian markets.

Backdrop: Faster Precrisis Growth, 2000-2007. Economic growth in South Asia accelerated during 2000-2007 (continuing the trend since the 1990s) to reach 6.5 percent a year, and it reached a peak of about 8.9 percent in 2006-2007, making South Asia the second-fastest-growing developing region after East Asia. From a growth accounting perspective, the proximate drivers were an acceleration of factor productivity growth and capital accumulation, while much less was gained in education (Collins 2007). From a policy point of view, the engines were investment deregulation, lower foreign trade restrictions, and lower tariff barriers. Reforms sparked a private sector boom in investment and productivity, and reforms in household incomes provided fast growth in domestic consumer markets, and demographics favored a rise in household savings (indirectly through a rise in corporate profitability and savings).

Labor-intensive manufactured export sectors such as ready-made garments and textiles continued to play important roles. They gained market shares (from the dismantling of the Multi-Fiber Agreement) and attracted buyers at both low (Bangladesh) and high (Sri Lanka) ends, as did other sectors, such as leather, gems and jewelry, carpets, and frozen foods. Bigger gains came from modern services especially telecommunications, information technology (IT), tourism, transport, retail, and finance (Ghani 2010). Mobile telephony achieved rapid penetration and attracted large investments. Information technology and outsourcing grew rapidly in India and was spreading to Bangladesh, Pakistan, and Sri Lanka. Modern tourism grew in Bhutan, Maldives, Nepal, and Sri Lanka. Financial services deepened.

Industry also gained in sectors such as ship-breaking, shipbuilding, and steel in Bangladesh; automobiles, steel, pharmaceuticals, and light engineering in India; fertilizer and cement in Pakistan; and hydropower in Bhutan and Nepal. Overall, these nonagricultural sources underpinned more dynamic growth and rising investor confidence in South Asia. Agriculture continued to decline in importance for output growth.

Varying Country Circumstances. There were some differences, however (see table 1.1). India grew by nearly 9 percent annually in 2000-2007, reflecting overall investment rates that climbed to 37 percent of GDP (compared to 25 percent in the 1990s), and financed by rising domestic savings. Investment rates elsewhere remained at about 25 percent of GDP. Bangladesh saw a pickup but smaller rise in growth and private investment, and it financed its growth easily with growing remittances and exports. Bhutan’s growth was led by large hydropower projects, with little external vulnerability because long-term external inflows (from India) financed such...
projects. Nepal was the only country with large savings and external surpluses, but it was unable to achieve faster growth and investment dynamism; rising remittances went into non-tradable housing and land markets. In contrast, the sources of faster growth in Maldives, Pakistan, and Sri Lanka were relatively well grounded, but the economies saw increasing reliance on foreign savings (external deficits) and experienced greater vulnerability (reflecting growing fiscal deficits).

Insecurity and conflict also rose in the region, especially after 2001, and it affected countries in South Asia to varying degrees (Iyer 2009). Natural disasters took their toll, such as the tsunami (affecting India, Maldives, and Sri Lanka in 2004); earthquakes (affecting Pakistan in 2005); floods (affecting Bangladesh, India, and Nepal in 2007); and droughts (affecting India in 2009 and Pakistan in 2001). Growth Slowdown, Recovery, and Outlook 200811. A sharp growth slowdown punctuated 2008 and 2009 as a result of the global financial crisis: the slowdown was more marked in some countries than in others. The region is now recovering rapidly. From 2007 to 2009, growth fell by close to 3 percentage points. It is now expected to recover to nearly 7 percent in 2010 and 8 percent in 2011 close to precise levels, and quicker than earlier anticipated. The strengths of the domestic economies, resilience in key sectors, and strong domestic policy responses contributed to the rebound, as did the emerging global recovery. There remain some significant risks in the global economy, however. The rest of this chapter focuses on the factors involved in South Asia’s recovery from the global financial crisis.

RESILIENCE AND RECOVERY:

South Asia weathered this crisis better than expected, and it has been recovering strongly since March 2009. Four reasons stand out: resilience of remittances, particular key exports, foreign direct investment (FDI) and recovery of global capital flows, and adroit policy responses. South Asia, as a whole, has weathered this crisis better than most analysts had expected (see figure 1.4). The overall effect has been to reduce the region’s growth by about 3 percentage points from 8.9 percent per year in 2007 to 6.3 percent per year in 2009. This was the smallest growth decline among all the developing (and developed) regions of the world attributable to the relatively low levels of financial integration with the global economy and to domestic sources of growth.

The recovery is now well under way. Expected GDP growth of more than 7 percent per year on average between 2010 and 2011 is only slightly behind East Asia and is better than South Asia’s own historical average (6.5 percent annually between 2000 and 2007 and 5.3 percent between 1991 and 2000). The macro-impacts of the crisis were most severe on countries with weaker fundamentals and greater external vulnerabilities going into the crisis, such as Maldives, Pakistan, and Sri Lanka. The crisis also affected India because of domestic contagion effects on spending, but it had much more limited negative effects in other countries, such as Bangladesh, Bhutan, and Nepal.

Four key factors cushioned South Asia’s growth during the crisis and are helping in the strong recovery. The first is the resilience in remittances (see figure 1.5). Remittances play a crucial role in South Asia, bigger than in most other regions. Migration takes place to increasingly diversified sources of recipient regions: to high-income OECD and non-OECD countries, to the nearby Gulf and the Middle East, and within South Asia itself. The rise in workers’ remittances in South Asian countries has been dramatic since 1990. Total annual receipts now average about 10 percent of GDP. For Bangladesh, Nepal, and Sri Lanka, the average receipts were nearly 14 percent of GDP in 2008 and tripled in size from about 3 percent of GDP in 1990.

However, for the very large countries (India, Pakistan), annual receipts have risen from about 3 percent in 1990 to an average of about 4 percent of GDP by 2008. Workers’ remittances exceed capital inflows and are five times bigger than net FDI inflows financing household consumption, financial savings and investment, imports, and the balance of payments. During the global crisis, remittances held up much stronger and continued to grow in South Asia compared to other regions (where they fell by 6 percent), and remittances are doing better than expected partly because of the large stock of workers abroad in the Gulf and other regions and because of higher incomes and education in the stock in high-income countries that have been less adversely affected by loss of jobs. In Nepal, the reliance on remittances is the highest, and without those flows, growth in consumption might have collapsed.

Region in brief

In a plan already drawn up for the next ten years, Indian Space Research Organization would launch a series of Resourcesat, Cartosat, ocean and atmospheric satellites. This would include Cartosat-3 with 30 cm resolution. The centre will launch Resourcesat-2 in early February or ending January. It will be a replacement satellite for Resourcesat-1 which gives us 5.8 metres, 70 km multi-spectral data for the first time.

India: Mr. P K Basu, Secretary Ministry of Agriculture, Govt of India said that India may witness record food grains production in the 2010-11 crop year, surpassing the previous high of 234.47 million tonnes seen in 2008-09, due to an increase in the acreage under cultivation in the ongoing rabi season. "It is very much achievable. Any fall in rice production from 2008-09 levels can be compensated by higher production of wheat, pulses and coarse cereals."

In 2008-09, the country produced 99.18 million tonnes of rice, 80.68 million tonnes of wheat, 14.57 million tonnes of pulses and 40.03 million tonnes of coarse cereals, taking total foodgrains output to a record 234.47 million tonnes.

India: India’s Bombay Stock Exchange launched a share index of sharia-compliant companies on Monday in an attempt to open stock-trading to more Muslims. The BSE TATIS Sharia 50 consists of the largest and most liquid sharia-compliant stocks within the BSE 500 index. All the companies have been vetted to ensure they comply with Islamic law, which does not allow investors to put money into firms that benefit from interest or the sale of sinful goods such as alcohol, tobacco or firearms.

Cont...
A second reason has been the resilience of some key export-oriented sectors. Exports make up a relatively smaller share of national output in South Asia than in most other regions: about 22 percent of GDP (compared to 12 percent in 2000), against 35 percent of GDP in East Asia and the Pacific (EAP). On average, the share is more than 30 percent of GDP in all low- and middle-income countries. Nevertheless, exporting sectors play an important role, in part because they are concentrated in labor intensive sectors and services. Some exports of goods and services during this crisis proved more resilient when compared to, for example, EAP whereas imports, as expected, dropped sharply because of weak demand. Indeed, net trade actually supported growth in South Asia during the crisis.

Export resilience can be traced to the types of merchandise specialization and competitiveness of South Asian countries (trade issues are discussed in more detail in chapter 3). Garments in Bangladesh and IT software exports from India are two good examples. In garments, a so-called Walmart effect was evident as Bangladesh became the preferred supplier because of its competitive strength in the lowest-cost segments and as its gained market shares. The peak-to-trough decline in the key garments sector is expected to be only about 34 percent.

A third key reason was the resilience of FDI inflows to South Asia during this crisis. FDI inflows to South Asia had earlier soared between 2000 and 2007: net inflows rose from about 0.7 percent of GDP in the 1990s to nearly 3 percent of GDP by 2007. The recent surge was marked by some important differences: inflows took off only after 2004, lagging the rise in trade integration. In addition, they went primarily to the larger and more diversified economies: India and Pakistan, and, to a much lesser extent, Bangladesh, Small or island countries (Bhutan, Maldives, and Sri Lanka) received higher levels of starting inflows, but inflows were more volatile (characterized by lumps of investments, such as hydroelectric power in Bhutan or resort development in Maldives), when compared with the steadier rise in larger countries. In contrast, flows to the landlocked countries (Afghanistan and Nepal) remained low throughout, benefiting neither from size nor from global integration potential.

During this crisis, although FDI inflows fell significantly from their peak in 2007-08, which was common to all regions, the fall was less pronounced. Flows have since picked up in India but less so in Pakistan. In contrast, FDI flows to all developing countries in 2009 were expected to have come in at only 30 percent of their 2008 values.

The early recovery of global capital markets also helped in the resilience and recovery of South Asia. Capital inflows started to resume quickly, given the longer-term potential of the region especially in India but also in other countries. Confidence and stock markets also gained from domestic developments, even as global equity markets recovered earlier than the GDP and as trade rebounded started in mid-2009. Indeed, (1) the Sri Lankan stock market became the best-performing stock market in 2009, especially as confidence lifted following the end of conflict in May (see figure 1.9); (2) the Indian stock market also jumped dramatically in May, following the successful elections that returned the previous government to power, with reforms expected to continue and strengthen.

Pakistan's stock market, too, showed a smart recovery; and the Bangladesh market experienced an unexpected bounce as investors discovered the biggest new initial public offering of Grameen Phone. Capital flows to South Asian economies now became second only to EAP. Increased capital flows and optimism in South Asian economies was also echoed in a recovery of the Indian rupee (12.5 percent from September 2008 to August 2009), after an earlier steep fall and after rising foreign reserves (from US$247.7 billion in November 2008 to US$328 billion in November 2009).

The fourth key reason was strong policy responses early in the crisis, helped by domestic factors such as pre-election fiscal spending increases in India. As in other regions, the policy responses from South Asian policy makers have been swift and timely to contain the global economic slowdown. Policy interest rates, for example, were lowered sharply in most South Asian countries as in India (and subsequently in other countries), faster than in other comparable regions of the world. Similarly, the size of the fiscal stimulus announced was over 3 percentage points of GDP in India and was also significant in Bangladesh and Sri Lanka. As a result, domestic demand has been maintained steadily, with private consumption leading the way. With the help of substantial stimulus and rise in private confidence, South Asians are spending again.

Source: World Bank

Region in brief

The Managing Director and Chief Executive of the Bombay Stock Exchange, Madhu Kannan, said the index would attract Islamic and other "socially responsible" investors both in India and overseas. "This index will create increased awareness of financial investments among the masses and help enhance financial inclusion. The index will also build a base for licensing for the construction of sharia-compliant financial products, including mutual funds, ETFs (exchange traded funds) and structured products. Several studies have found that the majority of India's 160 million Muslims have been excluded from the country's formal financial sector due to the restrictions imposed by Islamic law.

Nepal: The number of Nepali workers leaving for overseas destinations increased by 34 percent during the first four months of this fiscal year as against the same period of the previous fiscal. A total of 102,417 Nepali jobseekers flew overseas job destinations during the first four months of the fiscal year 2010-11 (FY11) from mid-July, up from 76,196 recorded during the same period a year earlier, according to the Department of Foreign Employment statistics.

Malaysia received 42,454 Nepalis during the period, up from 20,619 recorded during same period in the previous fiscal year. Similarly, Qatar became the second most popular destination hosting during the period, welcoming 22,642 Nepalis. The number of Nepali workers leaving for Qatar during the same period in FY10 was 16,994.

Pakistan: In a major development, the government has finalised preparations for test burn in

Conti...
MOST RELIABLE
HEAVY DUTY
GUARD Filters
TRUSTED SINCE 1960

Available at:
All Distribution Network across Pakistan.

UAN:
111-007-666

Email:
guard@brain.net.pk

FOR
HEAVY DUTY CONSTRUCTION MACHINERY AND GENERATORS

ORIGINAL EQUIPMENT MANUFACTURERS (OEM) ISO 9001 - 2000 & ISO 14001-2004 CERTIFIED
AFGHANISTAN

In Afghanistan GDP growth in 2009-10 bounced back strongly to record levels 29. The year of peak global crisis coincided with severe drought in Afghanistan, pulling GDP growth down to 3.4 percent in 2008-09. As agriculture swung back to bumper crops in 2009-10, GDP growth also bounced to 22 percent—a record for the reconstruction period, which began in 2002.

Large aid inflows for reconstruction needs and drops in import prices helped cushion the impact of the crisis. Official exports are a small 5 percent of GDP, compared to aid inflows, which are equal to 45 percent of GDP. Although Afghanistan was insulated from the financial crisis, the real crisis that followed had mixed effects. Whereas exports are expected to have fallen by less than US$100 million, the saving on import payments on petroleum and wheat flour was more than US$130 million. Official aid inflows increased three times as much as the fall in exports.

A strong rebound in the agriculture sector’s GDP growth (53%), helped mainly by ample and well-distributed rainfall, contributed much to the record growth rate. Wheat production nearly doubled to 5 million tons compared to the preceding five year average of 3.4 million tons. Services continued to grow in double digits, led by government services, the financial-sector, and transport services.

Industrial growth continues to lag behind, pulled down by modest manufacturing and construction-sector growth rates that are much lower than in the early years of reconstruction. Mining, however, is booming; with near 30 percent growth in the last two years in the run up to the construction of the world-class Aynak coppers mine.

Bank lending has turned cautious since the global crisis. Bank assets as a share of GDP rose to an all-time high of 23 percent by the end of 2009, but the loan-to-deposit ratio has fallen under 50 percent. Deposit growth continues to outpace loan growth, which is indicative of the difficulty of lending in a difficult private-sector environment. Microfinance has also started to slow down since mid-2009. Observance of prudent standards by commercial banks merits closer supervision by the Central Bank, as some banks have breached minimum capital requirements.

Disinflation seems to have ended in December 2009. The fiscal year 2009-10 is likely to end with a negative inflation of 12 percent, mainly on account of the drop in cereal prices, which account for 28 percent of the consumer basket. Small nominal appreciation of the Afghani against the U.S. dollar (3 percent over a year) and imports from regional partners may have also played a role in keeping prices low. The average price of wheat flour in March, for instance, was Af 14 per Kg, a third lower than in the same month last year on the back of a bountiful harvest. Nonfood prices have been edging up slowly since December 2009, led by housing costs. The disinflation in food prices also ended in January, and prices have been recovering rapidly.

Fiscal performance improved in fiscal year 2009-10, with a dramatic surge in revenue collection and strong containment in

AFGHANISTAN

Key Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (% change y-y)</td>
<td>8.2</td>
<td>14.2</td>
<td>3.4</td>
<td>22.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Industrial Production index (% change y-y)</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Real wages (% change y-y)</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Consumer price index (% change y-y) end of period</td>
<td>9.4</td>
<td>4.8</td>
<td>20.7</td>
<td>3.2</td>
<td>-2.2</td>
</tr>
</tbody>
</table>
operational expenditures. Afghanistan achieved a remarkable surge in domestic revenues during 2009-10, collecting 53 percent more than the previous year and 16 percent more than budgeted. Improved tax administration underpins much of the revenue increase. Even as the revenues surged, strong containment of operational expenditures led to expenditures about 10 percent less than budgeted. As a net result, the fiscal sustainability indicator-percent of operational expenditures covered by domestic revenues-improved to 70 percent, up from 60 percent in the previous year.

The execution of a development budget continued to be a cause for concern, as the government managed to spend only 38 percent of what was budgeted. The low execution rate has multiple causes, attributable to the weak capacity of the government in formulating and executing investment projects and the weak alignment of donor priorities and funding cycles with that of local government. The commitment at the London conference in January 28, 2010 to increase donor spending through the budget to 50 percent in two years’ time sets a laudable but ambitious target to achieve. An upcoming conference is scheduled for July 20, 2010 in Kabul to follow up.

Afghanistan reached a final milestone in debt relief. After completing a series of important reforms, agreed upon in 2007 under the most challenging of circumstances, Afghanistan reached the HIPC completion point and secured permanent debt relief from the Highly Indebted Poor Country Initiative and the Multilateral Debt Relief Initiative. The relief is in the form of debt service savings nominally valued at US$1.6 billion. External debt, after applying the debt relief, is valued at a modest 10 percent of GDP—halved from the previous year. The improvements in external accounts notwithstanding, Afghanistan faces a high risk of debt distress because of the likely occurrence of shocks emanating from GDP growth or the grant element in borrowing.

The outlook for the current fiscal year 2010-11 is good, with GDP growth slightly higher than 8 percent and mild inflation under 5 percent. As agriculture falls back to normal growth, service sectors will once again provide much of the growth in the coming year and will benefit from government and donor spending.

The mining sector will continue to grow vigorously, as the construction phase of the Aynak copper mine intensifies. On the inflation front, there appears to be little cause for worry, although disinflation appears to have ended. The prospects for cereal production are good, with winter and spring crops developing under generally favorable conditions per FAO assessments. Some susceptibility to imported prices remains, as even in a good year, about one-sixth of cereals are imported. Nonfood prices are rising, but at a modest pace, below 5 percent.

Source: World Bank

A successful life is one that is lived through understanding and pursuing one’s own path, not chasing after the dreams of others.

Chin-Ning Chu
The SAARC Chamber of Commerce and Industry (SAARC CCI) was established in 1993, as the first recognized regional apex Business organization of SAARC, with its constituent units in all member states and its permanent headquarters in Islamabad, Pakistan. Since its very inception, SAARC CCI is based in Islamabad thus; a pressing need was felt for a permanent institutional building for the organization to enhance its role in the promotion of trade and economic cooperation through disseminating information about the content, scope and potential of SAFTA among the business community in the region.

After taking over the Presidency of SAARC CCI in 2008, the Business Leadership in Pakistan has proactively undertaken the assignment for completion of this state-of-art Project at a piece of land already acquired by SAARC CCI.

The Executive Committee of SAARC CCI has already established SAARC CCI Headquarters Building Trust under the chair of Mr. Tariq Saeed, immediate Past President and comprises members from all member nations of SAARC. The current Vice President, SAARC CCI (Pakistan), Mr. Iftikhar Ali Malik has been assigned the responsibility to accomplish this task as the Chairman of Building Committee.

The SAARC CCI Permanent Headquarters Building will be constructed on its designated Plot No. 26 at Muave Area, G-10/4 in Islamabad. The technical requirement has been fulfilled and the Capital Development Authority in Islamabad has allowed for construction, the process of which will soon be accomplished.

**Salient Features of the Building**

- The building will provide state of the art facilities, having central air-conditioning and heating system
- The structure will be basements+Ground+Mezzanine+1st Floor to 9th Floor for office use
- 9th Floor will have an auditorium with seating capacity of 256 participants and conference rooms
- It is located at a central and ideal place of Islamabad surrounded by many important government and on the way to future Islamabad airport
- The building will be RCC frame building.
- The size of the building is approximately 160ftx70ft, having covered area of about 1,60,000 sq. ft.
- The maximum grid/column spacing is 25ftx24ft. The loading on columns will be in the range of 2000-2400 Kips.
- The maximum height of the building is about 128 feet above natural ground level.
- The bottom of basement will be placed at 18 feet below N.G.L.
- World class parking facilities will be available.

This project offers tremendous opportunities for offices on rental for multinational, Banks, Insurance companies, corporate houses and members of SAARC CCI who wish to establish their offices in this magnificent building.

SAARC CCI welcomes any offer regarding the completion of the project from any interested organization in Pakistan and from the region based mutual consent. The interested parties may contact Mr. Iftikhar Ali Malik, Vice President SAARC CCI or Mr. Iqbal Tabish, Secretary General, SAARC CCI at our official address and contact Numbers.