



# INDO-CIS

MAGAZINE FOR THE COMMONWEALTH OF INDEPENDENT STATES

# BUSINESS

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Jt. Forum For  
More Tie-up Areas



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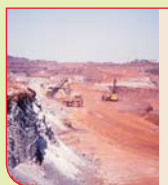
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**Editor: Satya Swaroop**

The news items and information published herein have been collected from various sources, which are considered to be reliable. Readers are however requested to verify the facts before making business decisions using the same.

**Dear Reader,**

Greetings. It's amazing how times have changed. In the pre-1990s, when India was shackled in socialistic ideology and Russia was part of the then Soviet Union, business was done strictly at a government level. A little more than a decade and a half later, the governments have been relegated to the status of mere facilitators, with business being done mostly between those concerned - corporate entities of both countries. The B2B - business to business - syndrome has replaced the bureaucratic and corrupt G2G - government to government - deals. This paradigm shift was significantly evident during the recent signing of a trade and investment protocol between India and Russia, by Indian Minister for Commerce and Industry Kamal Nath and Russian Minister of Economic Development and Trade Elvira Nabiullina on behalf of their respective countries. It was inked in New Delhi at the end of the Second Session of the India-Russia Forum on Trade and Investment after an interaction between members of a visiting Russian business delegation and representatives of the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII). The protocol covered a vast range of industries, trade and services that the business communities of the two countries could pursue with both governments acting as mere facilitators, the roles best suited to them. The cover story of the current issue of Indo-CIS Business takes a look at the huge two-way investment opportunities in areas as diverse as, minerals and metallurgy, energy and power, pharmaceuticals and biotechnology and real estate. This business interaction is certainly going to help double the Indo-Russian bilateral trade to \$10-billion by 2010 from the current \$5 billion. Russia has realized the importance of infrastructure, especially transport, for intensifying its trade with Europe and Asia. It has drawn up a five-year strategy (2010 -15) for investing a huge amount of \$500 billion on this key area of the country's economy. We carry a report. Export Import Bank of India (Exim Bank) reported an overall improvement in its financial performance for fiscal 2007-08. We highlight the gist of it. We also reproduce in this issue an in-depth study carried out by Exim Bank on the Indian mining and minerals sector. India's foreign policy has undergone radical changes in the last six decades with its emphasis shifting from politics to economics. We carry a recent foreign policy speech by Minister of State for External Affairs Anand Sharma. The issue also carries plenty of news related to Russia and the CIS region besides the usual Russian language section.

Wish you happy reading



**Satya Swaroop**

Managing Editor

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To Help Expedite Indo-Russian Trade to Touch \$10bn Target By 2010...

# Joint Forum Identifies Vast Range of Tie-up Areas



Kamal Nath and Elvira S. Nabiullina signing a protocol.

India and Russia are moving closer and faster to their avowed pledge to double their bilateral trade to \$10 billion by 2010, if the latest developments are any indication. A heartening development in Indo-Russian relations has been the involvement of business leaders from both sides in the recently concluded ministerial discussions, which resulted in the signing of a protocol covering a vast range of industrial sectors.

The protocol was signed by Indian Minister of Commerce and Industry Kamal Nath and Russia's Minister of Economic Development & Trade of the Russian Federation Elvira Nabiullina at the end of the two-day Second Session of the India-Russia Forum on Trade and Investment held on 12 and 13 February 2008 in New Delhi.

The discussions mines and minerals, metallurgy, energy & power, transport & infrastructure including inland waterways, ports, railways construction, civil aviation & automobiles, pharmaceuticals, biotechnology, IT, chemicals, Telecom and High Technology and real estate. A session of the forum also discussed business environment, financial services and commodities.

The Indian delegation included representatives from the Ministry of Commerce & Industry and Ministry of External Affairs and businessmen and representatives from the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI) and Associated Chambers of Commerce & Industry (ASSOCHAM).

The Russian Minister was accompanied by a high-profile government officials and business leaders some of whom made presentations. The speakers from the Russian side included among others V. Fadeyev, Chairman of the Board of Directors of Business Council of Cooperation with India, German Gref, President, Chairman of the Board of Directors, JSC Sberbank of Russia and Aleksand Kogoin, Minister for Industry and Trade of the Tatarstan Republic.

Speaking on the occasion, Kamal Nath mentioned about the positive investment climate in India as also the huge investment opportunities in infrastructure, metallurgy, real estate, pharmaceuticals and other sectors. He said the level of economic engagement between the two countries, in terms of trade and investment relations, should increase.

It was decided by both the sides that enhancement of the bilateral



The Union Minister of Commerce and Industry, Kamal Nath addressing the concluding session of the India-Russia Forum on Trade and Investment, in New Delhi.

investment and trade cooperation is one of the important steps to advance qualitatively trade and economic relations and to widen strategic partnership and cooperation between India and Russia.

Both sides also agreed on early commercialisation of new and innovative technologies as one of the prospective spheres of cooperation.

Kamal Nath and Ms. Nabiullina discussed the steps required for realizing the outcome of the meet.

The India-Russia Forum on Trade & Investment was set up on 16 March 2006 through the signing of a Joint Communiqué between the Ministry of Commerce & Industry of India and the Ministry of Economic Development & Trade of the Russian Federation. It was felt that there is a need to strive for stable development of Indo-Russian trade, economic and investment

cooperation. The next meeting of the Forum would be held in 2009 or earlier in Russia on a mutually agreed date.

India's export to Russia was US \$ 1.10 billion in 2006-07 while its import was US\$ 2.99 billion. India has received FDI of US\$ 94.0 million from Russia so far. Some of the sectors attracting FDI from Russia are chemicals, telecommunications, trading and consultancy services. India's approved investment in Russia, on the other hand, amounts to US \$ 2839.6 million up to March, 2007.

The opening session of the Forum was convened on 12 February 2008 wherein, besides the two Ministers co-chairing the event, visiting Russian Prime Minister Victor A. Zubkov also attended the session. Secretary, Department of Industrial Policy & Promotion, Ajay Shankar, Secretary, Department of Commerce, G.K. Pillai along with representatives of CII and FICCI also addressed the delegates.

Increasing interaction between the business communities of both countries has no doubt created an atmosphere of optimism about achieving the trade targets. This optimism was shared by Consul General of Russian Federation Vladimir V Lazarev recently in Kolkata.

Lazarev said he expected Indo-Russian trade relations ties to produce a turnover of about \$10 billion within the next two years.

The current annual trade turnover between India and Russia stands at \$5 billion. "India currently accounts for a little over one per cent of Russia's total external trade volume," said Lazarev, speaking about 'Enhancing Indo-Russian Business Co-operation.'

Though the military-technical co-operation between the two countries had been quite stable, there was still a lot to explore in the sphere of trade and economic co-operation. Russia had sold over \$10 billion worth of weapons to India over the past five years and contracts worth \$9 billion were being worked out, he said.

## Private sector

Talking about the importance of private sector in enhancing the trade ties, Lazarev said, "The private sector in both countries has been slow to take advantage of the huge expansion that is taking place in the Indian and Russian economies.

## 'Hand Holding' Co - Invest India on Cards

A new company 'Invest India' would be set up to promote inward investments and provide 'hand holding' services to foreign investors scouting for investment opportunities in India, the Union Commerce and Industry Minister Kamal Nath, has said recently.

"This has been accepted in principle. We will go through the procedures of taking it to the Union Cabinet. It will be a joint venture company between the Department of Industrial Policy and Promotion (DIPP) and the Federation of Indian Chambers of Commerce and Industry (FICCI)", Kamal Nath said at a FICCI meeting on annual supplement to the Foreign Trade policy 2004-09, in New Delhi.

The Minister said that the new company would be managed by FICCI and funded by the Central Government. Kamal Nath later told reporters that he expected the company to take off by June.

Official sources said that the proposed company would be a three-way joint venture between FICCI, DIPP and State investment promotion agencies. Besides promoting investments into India, the new company would guide foreign investors and "hand hold" them in Delhi and also in the States.

'Invest India' would assist implementation of all Foreign Investment Promotion Board-approved projects," Harsh Pati Singhania, Senior Vice-President, FICCI, that 'Invest India' would be a Section 25 company (not for profit organisation). ■

"The focus should be on improving visa regimes, removing cargo problems and strengthening market information networks so that private players can step up their activities," he said.

Lazarev identified energy as one of the high potential areas of mutual interest between the two countries. "Russia is one of the largest producers of energy and India one of the largest consumers," he said.

There was also considerable potential for diamond exports from Russia to India, and for joint ventures to be set up between companies in the two countries for diamond processing and marketing, he said.

## Titanium plant

Recently, India and Russia had also signed an agreement for the construction of titanium plant in Bhubaneswar.

Lazarev said that there was a possibility of developing a special economic zone and an all-weather sea port in Gopalpur in the next three to four years.

Focussing on the eastern region, particularly West Bengal, he pointed out that Russian companies such as the Magnitogorsk steel plant, the Russian aluminium giant Rusal, the Chboksar tractor factory, Tekhnokhim Holdings, and the Transaero air carrier have shown an interest in setting up projects there.

One of the most promising areas of Indo-Russian economic cooperation figuring in the forum's discussion was oil and natural gas.

In a related development, Russia's OAO Rosneft has expressed interest in participating in ONGC's proposed liquefied natural gas (LNG) terminal in Mangalore.

"Rosneft is looking into Mangalore LNG plant in a big capacity," said Sergey Mikhaylov, Head of Department of State Policy in Energy Sector, Ministry of Industry and Energy of the Russian Federation.



Kamal Nath and the Russian Minister for Economic Development and Trade, Elvira S. Nabiullina at the Joint Press Conference on the concluding session of the India-Russia Forum on Trade and Investment.

ONGC is planning to set up a five-million-tonne-per-annum LNG terminal at Mangalore. Mikhaylov said Indian companies, including ONGC Videsh Ltd (OVL), are keen to participate in oil and gas fields in Siberia and Far-East Russia. "Such expansion is quite realistic. Russian companies are also willing to facilitate the participation," he said at a business meeting held in New Delhi.

"India has investments in Sakhalin-1. That is not sufficient to meet the country's rising energy demand," he said, adding that "more opportunities to participate in oil exploration in Siberia and the Far East are coming up." India is looking to invest in oil projects in Russia, Kazakhstan, Iran and Africa to secure the nation's oil requirements.

## Sakhalin-III bid

ONGC is keen on taking a stake in Russia's Sakhalin-III. OVL, the overseas arm of ONGC, has proposed to team up with Rosneft to bid for the giant Sakhalin-III Project in Far East Russia. "The Russian Government is studying very closely ONGC's proposal on Sakhalin-III. A decision is expected soon," he said.

Moscow plans to develop 12 new oil fields in the near future in the East and was talking to various investors. He said Russian firms were keen to participate in the latest round of auction of oil and gas blocks under New Exploration Licensing Policy (NELP).

It was decided by both the sides that enhancement of bilateral investment and trade cooperation is one of the important steps to advance qualitatively trade and economic relations as well as widen strategic partnership and cooperation.

The next meeting of the forum would be held in 2009 or earlier in Russia on a mutually agreed date. ■



## Massive Thrust to Step up Trade with Europe & Asia

# Russia Draws Up \$550-bn 5-Yr Plan to Boost Transport Sector

By **Kamil R. Galiev**, Russian Trade Commissioner



**Kamil R. Galiev**

Russia has drawn up an ambitious US \$ 550 billion five-year (2010-15) investment programme to boost its infrastructure in the transport sector in a bid to give a massive thrust to its trade with Europe and Asia.



The investment programme is biggest ever adopted by the Russian government to strengthen its infrastructure. Prime Minister Vladimir Putin said Russia's underdeveloped infrastructure "is a drag on the country's economy".

"Russia carries only one percent of trade turnover between Europe and Asia, while experts say this could be five or even ten times more. Thus, it is vital to move from just maintenance of Russia's transportation system to its development," Putin said.

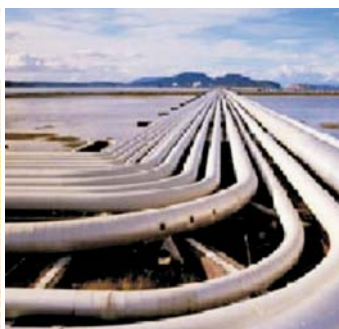
Being a strategic partner of India, Russia pays great attention to the development of bilateral relations. The volume of trade between to countries is to reach \$10 bln by 2010.

One of the most vital projects is Eurasian transport

corridor "NORTHSOUTH". It provides the transportation in the meridian direction and connects countries of the North and North-West Europe with Caucasus, Central Asia, Persian Gulf and Indian Ocean countries. Some parts of the Eurasian transport corridor "NORTH-SOUTH" coincides with the Pan European corridor<sup>1</sup> 9.

Exploitation of this corridor will reduce time and expenses of the freight transportation comparing to traditional sea routes through the Suez Channel. In medium-term prospect international freight traffic on this corridor will increase in volume up to 10 million tonnes. Corridor starts at the Russian-Finnish border then through Saint Petersburg and Moscow goes to Caspian seaports (Astrakhan, Olya and Makhachkala) and to the border with Azerbaidzhan (Samur). Afterwards cargos are transported by Caspian Sea and by railroads of the other countries to Iran, Persian Gulf and India and neighbouring countries. There is branch of the main route going through Astrakhan to Kazakhstan. Joint deep-water system of the European part of Russia including main river ports is also the part of the corridor.

According to the program "Modernization of the transport system of the Russian Federation (2002-2010)" the volume of investments into the development of the Eurasian corridor NORTH-SOUTH on the territory of Russia will be over 6.4 billions US dollars. ■



Infrastructure	Russia	
Railways:	total: 87,157 km broad gauge: 86,200 km 1.520-m gauge (40,300 km electrified) narrow gauge: 957 km 1.067-m gauge (on Sakhalin Island) note: an additional 30,000 km of non-common carrier lines serve industries (2004)	
Highways:	total: 537,289 km, paved: 362,133 km, unpaved: 175,156 km (2001)	
Waterways:	96,000 km note: 72,000 km system in European Russia links Baltic Sea, White Sea, Caspian Sea, Sea of Azov, and Black Sea (2004)	
Pipelines:	condensate 122 km; gas 150,007 km; oil 75,539 km; refined products 13,771 km (2004)	
Ports and harbors:	Anapa, Kaliningrad, Murmansk, Nakhodka, Novorossiysk, Rostov-na-Donu, Saint Petersburg, Taganrog, Vanino, Vostochnyy	
Merchant marine:	total: 1,194 ships (1,000 GRT or over) 4,521,472 GRT/5,505,118 DWT by type: barge carrier 1, bulk carrier 45, cargo 767, chemical tanker 20, combination ore/oil 48, container 21, passenger 11, passenger/cargo 8, petroleum tanker 213, refrigerated cargo 46, roll on/roll off 12, specialized tanker 2 registered in other countries: 326 (2005)	
Airports:	2,586 (2004 est.)	
Airports -with paved runways:	total: 577	over 3,047 m: 55
	2,438 to 3,047 m: 197	1,524 to 2,437 m: 128
	914 to 1,523 m: 98	under 914 m: 99 (2004 est.)
Airports - with unpaved runways:	total: 2,009	over 3,047 m: 14
	2,438 to 3,047 m: 30	1,524 to 2,437 m: 111
	914 to 1,523 m: 257	under 914 m: 1,597 (2004 est.)
Heliports:	36 (2004 est.)	
Electricity - production:	915 billion kWh (2003)	
Electricity - production by source:	fossil fuel: 66.3%	hydro: 17.2%
	nuclear: 16.4%	other: 0.1% (2003)
Oil - production:	8.42 million bbl/day (2003 est.)	
Oil - consumption:	2.31 million bbl/day (2003 est.)	
Oil - exports:	6.11 million bbl/day (2003)	
Natural gas - production:	578.6 billion cu m (2003 est.)	
Natural gas - consumption:	405.8 billion cu m (2003 est.)	
Natural gas - exports:	171 billion cu m (2003 est.)	
Telephones - main lines in use:	35.5 million (2002)	
Telephones - mobile cellular:	17,608,800 (2002)	
Agriculture - products:	grain, sugar beets, sunflower seed, vegetables, fruits; beef, milk	
Industries:	complete range of mining and extractive industries producing coal, oil, gas, chemicals, and metals; all forms of machine building from rolling mills to high-performance aircraft and space vehicles; defense industries including radar, missile production, and advanced electronic components, shipbuilding; road and rail transportation equipment; communications equipment; agricultural machinery, tractors, and construction equipment; electric power generating and transmitting equipment; medical and scientific instruments; consumer durables, textiles, foodstuffs, handicrafts	
Industrial production growth rate:	6.4% (2004 est.)	



# India's Foreign Policy Attuned to Tackle Global Economic Issues

**Minister of State for External Affairs Anand Sharma has recently talked about India's foreign policy, how it is evolved to suit the requirements of changing international political and economic environment and relations with developed nations. He was speaking at the round table conference organized by the Federation of Indian Chambers of Commerce and Industry (FICCI) on the theme 'Foreign Policy-Implications for Indian Business' on 8th May, 2008.**

The main objective of India's foreign policy after the country achieved its independence was to sustain a high level of economic development and eliminate poverty. The challenges were weak connectivity, infrastructure and economic and political partnership with developed countries.

Imbalance reflected in international relationship where priority was to achieve political objective rather than economic objectives. This was a difficult period as developed countries denied sharing of technological development with developing nations.

The 1980s saw the drastic changes in technologies. Political objectives took back seat, collapse of Berlin wall, the collapse of Soviet Union, etc., affected the international relationships with developed countries as there were more technological exchanges.

The leadership and initiatives of then Prime Minister Rajiv Gandhi helped India take a huge leap in the field of communication technology, space sciences including India's generics particularly healthcare.

In the 1990s, both political and economic content in foreign policy received an important space. Economic diplomacy became important than political diplomacy as both had to co-exist to pursue the country's national interests. It was a dynamic phase, which witnessed rapid globalization, with modern modes of transport. Economic activities were intensive with China, Asia, South Africa, and America.

The Indian economy was unshackled and ready to take the plunge. The Indian entrepreneurs were free to look for opportunities and investment outside. India's foreign policy aimed for double-digit growth and sustains the same to ensure economic and technology development and education gained priority. These economic activities and industrialization led to generation of wealth and employment.

Democracy strengthened the fundamental requirements like legal protection. This phase saw emergence of Indian "Multinationals" who invested globally where investments abroad surpassed the investment within the country. The Government encouraged investment in urban and rural infrastructure e.g. energy sector saw investment of around USD 550 billion.

Unlike in the past, the foreign policies have to incorporate the economic policies as well as look into aspects like climate degradation, energy security and food security. Thus, the Indian government sought to engage all the major powers of the world as external economic development cannot be isolated from internal economic development. The major problems faced were



international rivalry and terrorism (especially faced by south Asian countries). This phase stressed on regional stability and growth. India being one of the world's largest economies committed to play a pioneering role in sharing its experiences in technology and political development.

Even though India has expressed its consternation to China on the Tibet issue and on border issue, it has been encouraging the bilateral trade between the two nations. Indian Economic engagement with China is growing rapidly. The bilateral trade with China reached US\$38 billion last year and is expected to touch US\$80 billion by 2010. The bilateral trade potential with Asia Pacific countries has grown rapidly to reach US\$60 billion last financial year and the bilateral trade with Africa increased to US\$32 billion.

Significant investment is seen in every sector, i.e. agriculture, automobiles, Information Technology, communication and pharmaceuticals. The government has formed special divisions in foreign missions to guide and facilitate investment in various countries. The key issues addressed by the foreign offices to strengthen in various countries in the fields like agricultural, Science & technology, aid concessions, lines of credit etc.

The economics of oil and other related sectors, which play pivotal roles in today's political economy. The Indian foreign policy has laid emphasis on the issue of energy security due to rise in price of petroleum from US\$50 to US\$150 in last few years. While assessing the availability of sources of energy again hydrocarbon has limitations. As much as 70 percent of India's fuel requirement depends on imports. The government is

also encouraging the use of renewable energy, such as solar, fossil etc.

The alternative sector bio-fuels usage needs to be justified to ensure that food is not diversified. Today we see that huge quantity of food is being diversified to produce bio-fuel e.g. corn and it forms the staple diet of many countries. Demand for ethanol and other bio-fuels is a "significant contributor" to soaring food prices around the world. Increases in bio-fuel production have contributed to the added demand for food. There is a clear linkage between food and economic security. Thus, foreign policy has to focus food and health security.

Climate change is another important issue faced by all the countries in the world. There is a need to have long-term policies and mechanisms to ensure commitments from both developed and developing countries to combat climate change by adopting green house mechanism. These policies need to be common to all and at the same time independent in nature. The Indian foreign policy is working towards this goal.

Another important role of the foreign policy is to promote and develop strategic relations with major powers of the world. Today India is working to strengthen its relations with Russia, Japan United Kingdom, United States, Brazil, Germany, and African countries.

There is a visible shift from economic development to territorial security. It is precisely for this reason that several nations from Asia, Latin America and Africa have come together to create a conducive atmosphere in the United Nations (UN) in order to make it more democratic and all encompassing so that more nations can join. This effort is being led by the Indian government, which has repeatedly made its stand clear that it does not support some nations use the veto power. Historically the relationship with Africa has evolved positively leading to partnerships in education and capacity building in all fields.

India's Foreign Policy is committed to secure peace and harmony in the world. Indian Foreign policy has been instrumental in changing the world economic and political attributions. New reforms in financial institutions are instigated taking into account the development and changes in the last 15 to 20 years. India is re-emerging as an international power. ■



# Russian Firms Face Credit Crunch, Pay Higher Interest Rates

More than 200 Russian companies are currently being forced to increase the interest they pay to as much as 16 percent, due to a credit crunch, Bloomberg has reported.

The News agency reported that hedge funds are currently enforcing their own kind of "credit crunch" on Russian corporate debt.

Following Russia's debt default a decade ago investors were lured back to Russia on the basis of put options giving them the right to redeem debt. Just this sort of option has forced Khanty-Mansiysk-based auto-leasing firm Ugra Leasing to raise the yield in April on 1 billion rubles (\$42.4 million) of three-year notes sold last year to 16 percent from 14 percent, according to Bloomberg data.

Moscow-based supermarket chain Mosmart also was forced to increase the coupon on 2 billion rubles of bonds from 11 percent to 15.5 percent.

According to the article hedge fund Argo Capital Management (which oversees around \$1 billion of emerging market debt) rejected an offer from Moscow-based retailer Samokhval last month to increase interest to 14.5 percent from 11.4 percent, choosing instead to redeem bonds due in 2009.

Even with record oil prices pumping the economy, the global credit crunch is penalizing Russian borrowers as the put options leave companies liable for refinancing nearly a third of their 1.5 trillion rubles of bonds at higher rates by yearend according to Bloomberg.

Put options give bondholders the right to demand payment at face value on a set date. They became more common in Russia than anywhere else after the Russian government's \$40 billion default in 1998 led to almost \$4 billion of losses for Long-Term Capital Management, a development which effectively forced the Federal Reserve to organize a rescue of the fund.

Investors rarely exercised the puts until last year because the interest they received was higher than what they could get on new bonds. The oil-led economic boom drove down the average corporate yield to 7.0 percent from 12 percent between 2004 and the middle of last year.

Alfa Bank, Russia's biggest private lender, had to raise the annual rate on 2 billion rubles of bonds due in 2010 by 3.6 percentage points to 9.5 percent last month to prevent holders from using puts to redeem the debt, according to the news agency. State-owned VTB Group, Russia's second-largest bank, lifted interest on 15 billion rubles of notes maturing 2013 to 8.6 percent from 5.9 percent last month.

Soaring oil prices have helped Russia win back investors as the government built up the world's third-largest pool of foreign-currency reserves at \$540 billion. Companies followed with 518 billion rubles of bond sales in 2006 and a record 520 billion rubles last year.

As investor confidence improved, companies began selling bonds lacking put options. Citigroup Inc. arranged a sale of 3 billion rubles of 10.05 percent five-year debt without the feature for regional lender Ursa Bank in 2006. Since then, worsening credit conditions meant that Russia's 17th-largest lender by assets last month had to offer a one-year put in a sale of 10 billion rubles of seven-year notes yielding 11.19 percent. Ruble bond sales slowed 15 percent in the first quarter to 111 billion rubles as hedge funds and others reduced holdings of riskier assets worldwide, Bloomberg data show.

"We are back to 2004," when Russian corporate debt sales surpassed 100 billion rubles for the first time, said Nikita Gusakov, head of ruble bond origination at Citigroup in Moscow. "Appetite for risky investment has fallen and companies are once again luring investors by high yields and put options."

Companies have 420 billion rubles of bonds with put options due between May and yearend, Bloomberg data show. Investors may redeem as much as 80 percent of so-called junk bonds on the put dates, said Nikolai Podguzov, a fixed-income analyst at Moscow-based investment bank Renaissance Capital. Investors may demand repayment of as much as 40 percent of bonds rated investment-grade, or Baa3 and above by Moody's Investors Service and BBB- by S&P. ■

# India's Konkan Railways Gets Patent for Anti-Collision Device in Russia



In a major development that will open new vistas for India's Konkan Railway, the Anti-Collision Device (ACD) developed by it, has been granted patent by three major countries, namely China, Russia and Singapore, thus giving recognition to this wonder technology and opening up export possibilities in future. Konkan Railway had applied for worldwide patents for this technology in the past and has already been granted patent for ACD in India and South Africa.

The Anti-Collision Device, indigenously designed by Konkan Railway, is an intelligent, 'self-acting' microprocessor-based equipment that successfully

prevents collision kind of train accidents in mid-sections, station area and at level crossings, thereby saving the precious lives of train passengers as well as road users. The device is installed in locomotives of trains, guard vans, stations, and at level crossing gates. Since the device needs no manual input, it enhances safety in train operations.

Konkan Railway has successfully implemented ACD network on North East Frontier Railway and the ACD networked route was declared as commissioned last year. It covers 1,924 Broad Gauge route km, 202 stations and 589 diesel locomotives, requiring total 1508 number of ACD units. ■

## UBS Appoints New Head for Russia, CIS Operations

Swiss bank UBS AG has announced recently that it appointed Steven Meehan as a new chief executive for Russia and the Commonwealth of Independent States (CIS) after Ed Nicholson retired from banking.

Meehan, 43, who joined UBS in 1999, will take up his new role this month and will report to Alex Wilmot-Sitwell, global head of investment banking.

"(Meehan) has a strong track-record of building and growing successful businesses and will be instrumental in driving forward our integrated platform in Russia/CIS," Wilmot-Sitwell said in a statement.

Thomson Financial ranked UBS seventh in Russia in announced



M&A deals in 2007 and eighth in equity capital markets, both by volume.

The bank opened a representative office in Moscow in 1996. UBS services in Russia now include wealth management, asset management, rouble fixed income, foreign exchange services, equities and investment banking. ■



# Russian SMEs Hold Big Potential, But Wary of Unwanted Checks

Small and medium enterprises have a bright future in Russia if a right atmosphere is created for their growth.

"If, as the authorities promise, small enterprises will be spared unwarranted checks, unnecessary approval procedures and crippling taxes, the country may indeed see quick returns, especially in the social sphere," says Yury Shein, who was one of the first creators of a cooperative in Russia before becoming the owner of a small pastry company. From the lean 1980s until recently, his inexpensive Bird's Milk pies, made according to a unique recipe, were snapped up.

"In America in the mid-'90s, I saw that all you have to do to open a business was to buy an envelope, fill in a form and drop it in the postbox. No inspections in the first two years. If you fail to survive for two years, nobody will bother. If you do survive, the government will look closely at your tax-paying record and the quality of your goods or services. The system of fines and penalties is tough, but fair," Shein says.

He thinks it unlikely that the system of business registration in Russia will become "like in America" any time soon. So far Russian small business has heard nothing but words and promises from the government. Not until it begins to do something will we be able to judge, says Shein.

"Small business is like a lawn," he says. "You can water it copiously. You can treat every blade of grass. But one thing the lawn certainly needs is not to be trampled upon."

Shein has had to fight to protect his lawn. He went into the sweets business in 1987, when Russia was still under the Soviets. That year Moscow saw the creation more than 5,000 cooperatives. Russian businessmen have never since enjoyed such a quick registration procedure: you went to the special commission at the local governing body, showed your passport, got a permit for registration and you were ready to go. But problems began with protection racketeers fleecing the new cooperatives. Then, as now, the main problems were bureaucratic red tape, bizarre rules and artificial barriers that most overcame by paying bribes.

Yury Shein, being opposed to bribes, used strictly legal methods to overcome these barriers, displaying great ingenuity in the process. True, he admits that many times it would have been easier to pay fighting bureaucracy legally is time-consuming and debilitating. "In the late 1980s the Soviet Union was in the midst of a food crisis," Shein recalls. "So cooperatives were banned from using condensed milk and chocolates. But any ban forces you to be creative and look for new solutions."

To sidestep the bans, his team had to think of a new technology for making the filling for pies. They used blackcurrants and other berries with the agar-agar jelly made from seaweed found off the Sakhalin coast. He had to use all his ingenuity to procure the ingredients. He was only able to buy agar-agar weeds on condition that his firm built a pastry shop for a café in Sakhalin. The shop is still in business.

All in all, Shein built 25 sweet shops in 25 regions. Shein's pies were popular in Russia because of their excellent quality, and the company flourished. In the early 1990s he launched a parallel business by financing a private laboratory where several scientists worked on a hypothesis of so-called self-supporting malignancies. They came up with a universal test which can diagnose cancer from a droplet of blood. That process has been patented.

"There are no equivalents in the world," Shein claims. The diagnostic technique has been successfully tested in many Moscow clinics. However, it proved too much of a burden for a small enterprise. Loans, whether private or public, were practically impossible to come by in Russia at the time. There was not enough money to fund full-scale research, so the work had to be curtailed. Shein is still trying to raise the money. He says that to him business is not so much about making money as about fulfilling your creative potential.

"However, a Russian businessman cannot devote himself to creativity alone," Shein says, adding that over the past 20 years he has spent more time fighting off inspectors and supervisors than doing business.

"Still, I am an optimist and I think that litigation against aggressive bureaucrats is the first sign of a businessman's inner freedom," he adds. "Inspections were introduced with the noble aim of securing order. But my business experience tells me that in Russia any inspection is like hunting a hare. In this game the bureaucrats are the hunters and the businessmen are the hares."

An illegal administrative act can, however, be

challenged in a court of law. Litigation resolves the conflict and brings a kind of peace. It is very useful in conflicts with regulatory bodies and other businesses. Shein reckons that he has spent at least 10 years in litigation. He has always won his disputes.

"If a real breakthrough happens in the relations between the state and small business," Shein says, "if they untie our hands and rid us of bureaucratic pressure, and help us, small business in Russia will enter a golden age." ■

## Russian Retail Sector Racing to Overtake European Markets

A new research report has suggested that, during the course of 2008, the total value of the Russian retail market will overtake its counterparts in Germany, France and Britain. The sector is expected to grow by a staggering 27.5 percent this year, and by at least another 20 percent in the next two or three years.

Russia's per capita retail turnover will, however, remain some way behind that of West European countries. In 2008, it will reach \$4,542 less than half that of Britain, the European leader.

This retail growth seems to be driven by a desire by Russians to spend, and spend quickly. According to the Centre for Macroeconomic Analysis and



Short-Term Forecasting, Russians spend as much as 83 percent of their incomes on goods and services. Sales of non-food products are growing especially fast, said the centre's Igor Polyakov.

High- and medium-income population groups are increasingly buying high-end goods designer refrigerators over mass-produced ones, and plasma panels over common TVs. LCD TV sales surged 200 percent in the first quarter of the year, and sales of laptop computers by 300 percent.

Russian retailers remain optimistic of further growth. Some 85 percent of the 49 companies polled by Ernst and Young said they expected no less than a 30 percent growth rate over the next four to five years. ■



## Russian Consumer Demand Fuels Investment Boom



Russia's economy expanded an annual 8.5 percent in the first quarter, higher than economists expected, as consumer demand fueled an investment boom.

The expansion followed 9.5 percent growth in the previous three months, according to the Federal Statistics Service, which released the figures recently.

Growth in Brazil, Russia, India and China is outpacing the economies of the United States, Japan and the euro region, driven by wage growth, investment and

consumer spending. The rapid expansion is also fueling inflation, which accelerated to 15.1 percent in May, and may be a signal that the economy is overheating, analysts said.

"I don't expect any serious slowing in growth this year," Alexander Morozov, chief economist at HSBC Bank in Moscow, said. "The risks are from rising inflation. The government doesn't have a consensus that the economy is overheating this implies that their first priority is sustaining fast growth, while the problem of inflation will be secondary."

Russian industrial output grew an annual rate of 9.2 percent in April, the most in nine months, as output of trucks, cars and construction materials surged.

Real wage growth has advanced more than 12 percent every month this year, increasing demand for housing and consumer goods. The government expects the economy, the world's 10th biggest, to expand 7.6 percent this year after growing 8.1 percent in 2007.

The Federal Statistics Service, or Rosstat, said construction, real-estate services and retail underpinned Russia's highest-ever first-quarter growth rate.

Analysts said the year-to-year numbers -- which Rosstat broke down only by production, not by expenditure -- were driven by expanding private consumption and fixed investments.

According to RosBusinessConsulting, foreign investors will have more confidence in the Russian economy once the global financial crisis is over, Russia's Deputy PM and Finance Minister Alexei Kudrin told the 12th Annual Investor Conference recently.

The country has passed its first real test, Kudrin said, despite the global financial turn-down, the Russian economy would remain stable as the global economic situation improved. The latest financial crisis has shown that Russia has created a safety cushion to counteract any negative influence from the global market, Kudrin noted. ■

## Low-cost Russia May Cut into Indian Outsourcing Pie

Given the uncertainty about the US economic situation continues, a recent survey has forecast that spending on IT by the world's biggest economy will shrink in the April-June quarter for the first time in nearly seven years. So US companies are looking for cost reduction, thus choosing cheap labour outsourcing destinations.

As outsourcing to India becomes more expensive, North American companies are seeking alternatives, including Russia. In the years past, a company could save 40 to 50 percent by hiring Indian firms to handle IT and other services, says Atul Vashistha, chairman at neoIT management consulting firm.

Should the U.S. dollar continue its descent, that

differential would shrink to 10 to 20 percent, he estimates. "If you're only going to have a 20 percent savings, clients start to think about time zone," Vashistha says.

Though costs are increasing in India, anyway the country is generally less expensive than Latin America and most other locations, especially for companies that don't require high-end software development services. It's envisioned that Mexico and the rest of Latin America will only act as a complement to India and other offshore locations. So, Europe can benefit from US recession and who knows, may be, Russia is on the threshold of an IT outsourcing boom. ■

# Russian Gas Firm Expects Crude Prices to Double in 18 Months

Russia's Gazprom, the supplier of a quarter of Europe's natural gas, expects the price of crude oil to almost double within 18 months and to take gas prices higher with it.

"We think it will reach \$250 a barrel in the foreseeable future," Chief Executive Alexei Miller told reporters at a presentation in France, adding high demand rather than speculation was the primary factor for high hydrocarbon prices.

A spokesman said the company, which is also one of Russia's largest crude producers, expected the price to hit the \$250/barrel level sometime in 2009.

Gazprom exports gas to Europe at prices linked to oil products. Miller said the current gas price was \$410 per 1,000 cubic metres and Alexander Medvedev, Miller's deputy, said prices were likely to rise to reflect the higher cost of crude.

Analysts said that using the \$250/barrel forecast and the conversion factors cited by Medvedev at the presentation, one would arrive at a gas price of \$1,500 per 1,000 cubic metres, Reuters reports.

"It's crazy ... maybe they know something we don't," said one analyst, who bemoaned the lack of analysis to back up the forecast.

The majority of Gazprom's European customers "insist" on the oil price peg, he said, since it provides stability and sustainability to their long-term contracts. Spot markets in the U.K. and U.S. made sense because those countries covered their own domestic gas demand when trading began, Medvedev said.

Oil for July delivery fell to \$131.25 a barrel on the New York Mercantile Exchange at 1:55 p.m., Bloomberg reports.



When asked if \$250 a barrel was a reasonable forecast, Jose Sergio Gabrielli, chief executive officer of Petroleo Brasileiro SA, Brazil's state-controlled oil company, laughed.

"This is the \$3 billion question," Gabrielli said at a presentation recently in New York sponsored by the Brazil-American Chamber of Commerce. "It is worthless to give you a number. Because it is going to be wrong."

Gazprom's gas delivery prices for Europe have reached \$410 per 1,000 cubic meters, the Russian energy giant's CEO said recently.

"Today, the average price of our deliveries to Europe has reached \$410," Alexei Miller told the European Business Congress in France.

Miller also said that there had been a number of comments from Europe proposing a diversification of energy supplies.

"Europe's desire to diversify energy sources is understandable. But it seems that such statements are based on the somewhat strange idea that any alternative is preferable to Russian energy supplies. This flawed viewpoint cannot be justified," he said.

The bulk of Russia's gas supplies to the European Union, which account for one quarter of the 27-nation bloc's consumption, run through Ukraine. A gas pricing dispute with Ukraine at the start of 2006 prompted Russia to briefly cut supplies off to the former Soviet republic. Europe-bound exports were also affected.

Miller also said Slovenia could take part in the South Stream project to build a European gas pipeline. ■



# Net up 11 pc at Rs 333 crore

## Exim Bank Posts Overall Growth in 2007-08

Export-Import Bank of India (Exim Bank) Chairman and Managing Director T.C. Venkat Subramanian has announced that the country's premier financial institution had posted an overall improvement in its performance in fiscal 2007-08 (April-March), that included an increase of 11 percent in its net profit at Rs 333 crore during the year.

He told a press conference in Mumbai recently that the loan approvals and disbursements had increased by 23 percent each and the loan assets 25 percent during the Bank's 26th year of operations.

Profit before tax at Rs. 533 crore showed an increase of 36 percent over the previous year and the Net Profit (after tax) at Rs. 333 crore, an increase of 11 percent over the previous year. Capital Adequacy (Capital to Risk Assets Ratio) stood at 15.13 percent.

### Loan Approvals

Loan approvals aggregated Rs. 32,805 crore during 2007-08 as compared to Rs. 26,762 crore in the previous year, an increase of 23 percent. Disbursements aggregated Rs. 27,159 crore, as compared to Rs. 22,076 crore during the previous year, an increase of 23 percent. Loan Assets increased by 25 percent moving upwards to Rs. 29,152 crore as on March 31, 2008 from Rs. 23,274 crore as on March 31, 2007.

Net NPAs decreased to 0.29 percent of net loan assets as on March 31, 2008, as compared to 0.50 percent in the previous year.

During the year, the Bank extended 17 Lines of Credit (LOCs), aggregating US\$ 704 million, covering 39 countries to support export of projects, goods and services from India. 89 LOCs covering 89 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US\$ 2.96 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation. The Bank lays special emphasis on extension of LOCs as it is an effective market entry mechanism especially for small and medium enterprises.

Project export contracts supported amounted to Rs. 26,926 crore and were secured by 31 companies in 30 countries.

During the year, 41 corporate companies were

sanctioned funded and non-funded assistance aggregating Rs. 5,029 crore for part financing their overseas investments in 20 countries. Exim Bank has so far provided finance to 223 ventures set up by over 180 companies in 61 countries including Austria, Canada, Germany, Ireland, Indonesia, Italy, Malaysia, Mauritius, Morocco, Netherlands, Romania, Sharjah, Singapore, Spain, Sri Lanka and USA.

As on March 31, 2008, guarantees on book were at Rs. 3,456 crore.

### Foreign Currency Resources

The authorized capital was increased by the Central Government from Rs. 1,000 crore to Rs. 2,000 crore. During the year, the Bank received share capital of Rs. 100 crore from the Government of India, increasing the paid-up capital to Rs. 1,100 crore as on March 31, 2008.

During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 14,040 crore comprising rupee resources of Rs. 8,905 crore and foreign currency resources of US\$ 1,280 million equivalent.

Foreign currency resources of US\$ 1,083 million equivalent were raised through bilateral/club loans and US\$ 197 million by way of FRNs. As on March 31, 2008, the Bank had a pool of foreign currency resources equivalent to US\$ 3.53 billion and outstanding Rupee borrowings including bonds and commercial papers of Rs. 18,890 crore.

The Bank introduced Flexi Deposit Scheme and added 6000 fresh depositors to its investor base and had mobilized over Rs. 280 crore as of March 31, 2008. Market borrowings as on March 31, 2008 constituted 88 percent of the total resources of the Bank.

The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA.

During 2007-08, Standard & Poor's and Fitch Ratings have upgraded the Bank's credit rating from BB+ to BBB-. The Japan Credit Rating Agency (JCRA) enhanced the Bank's credit rating to BBB+ and enhanced outlook from stable to positive. Taken together with the Baa3 rating from Moodys, the Bank at present holds investment grade rating on par with the India sovereign

from four international credit rating agencies.

### Focus on West African Region

The Bank opened a representative office in Dakar, Senegal. The Dakar office of Exim Bank is expected to play a key, catalytic role in enhancing trade and investment between India and the West African Region. The Dakar office has been conferred with special status 'Accord de Siege' by Government of Senegal on par with multilateral institutions located in Senegal.

### Global Trade Finance Programme

Exim Bank signed an agreement with International Finance Corporation (IFC), Washington, under the Global Trade Finance Program (GTFP). Under this arrangement, Exim Bank will be able to confirm Letters of Credit (L/Cs), guarantees and other trade instruments issued by approved banks in more than 40 developing countries of Central Asia, Central and Eastern Europe, Latin America & the Caribbean, Middle East & North Africa as also other regions of Asia and Africa, and which constitute an attractive market for Indian exporters. Some of the countries have a higher risk profile due to absence of a proper credit enhancement mechanism for carrying out documentary credit trade. The role of Exim Bank as 'Confirming Bank' would enable Indian exporters to access such markets without payment risks.

### Rural Grassroots Business Initiatives

The Bank has in place an innovative facility to support

globalisation of rural industries through its Grassroots Business Initiative. The programme builds upon the Bank's other support programmes and seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional crafts persons and artisans, and rural entrepreneurs of the country. The Bank has consciously sought to establish, nurture and foster various institutional linkages. Towards this end, a Memorandum of Cooperation (MOC) was signed between the Bank and the Ministry of Panchayati Raj (MOPR) which aims at enhancing the export promoting activities of MOPR through the Rural Business Hub (RBH) initiative and is in line with Exim Bank's initiatives in supporting exports from rural India.

**Rural Technology Export Development Fund:** The Bank promotes rural Indian technology to other developing countries in Asia, Africa and CIS under the umbrella of South-South cooperation. The Bank has earmarked funds for setting up a Rural Technology Export Development Fund to promote exports as also enhance the export-worthiness of rural grassroots innovative technologies from India. Thus, Exim Bank's efforts are not only aimed at facilitating the visibility of rural products in the international market but also to find alternative channels through partnership arrangements with institutions and corporates in India. Corporate Social Responsibility

### Support for Rugby Team

Exim Bank is supporting the Rugby Team of the Kalinga



Institute of Social Sciences, which won the Under-14 International School Rugby Championship held in London, UK, in September 2007. The Kalinga Institute of Social Sciences (KISS) provides a combination of formal education with vocational education for more than 5000 tribal children of Orissa. The mission of KISS is to bring a paradigm shift from mere schooling to innovative learning for the poorest tribal children from different parts of Orissa, with focus on formal and livelihood education and scope for all-round development. As part of its endeavours in supporting social causes, Exim Bank's support to the Rugby Team of KISS would encompass training facilities with associated infrastructure, participation in select domestic/international tournaments.

### **Innovative Programme for SMEs**

The Bank has entered into a cooperation arrangement with International Trade Centre (ITC), Geneva, for implementing a unique Enterprise Management Development Services (EMDS) program, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. This is a pioneering initiative for supporting SMEs and for providing term loans and export finance facilities to the identified units to help them in their globalisation efforts. The Bank has partnered ITC in implementing this project. The Bank thus supports small enterprises through capacity building and assistance in formulation of viable proposals. It is envisaged that the learning from this programme would be transferred to other developing countries, and thus assist in capacity creation and institution building in the global arena.

The Bank has partnered the Commonwealth Secretariat in the Commonwealth-India Small Business Competitiveness Development Programme. The objective of the programme is to undertake capacity development initiative that promotes economic development (increased employment, investment, trade and economic activity) in Commonwealth member states by providing competitive strategies and policies on SME development to practitioners and policy makers, and to build and develop institutional capacity. US Dollar 1 billion Medium Term Note (MTN) Facility.

During 2007-08, 5-year Floating Rate Notes for JPY 24 billion (US\$ 197 mn.) were issued under the Bank's US\$ 1 billion Medium Term Notes (MTN) programme.

### **Research and planning**

Five Occasional Papers were published by the Bank during the year, namely, Trade and Environment: A Theoretical and Empirical Analysis; Indian

Pharmaceutical Industry: Surging Globally; Regional Trade Agreements: Gateway to Global Trade; Knowledge Process Outsourcing: Emerging Opportunities for India; and Indian Mineral Sector and Export Potential.

A publication titled "Healthcare Tourism: Opportunities for India", was brought out, which highlights opportunities and challenges, and delineates strategies for India to emerge as a major healthcare tourist destination.

### **Global Network**

The Global Network of Exim Banks and Development Financial Institutions (G-NEXID), was set up in Geneva in March 2006 through the Bank's initiative, under the auspices of UNCTAD. With the active support of a number of other Exim Banks and Development Financial Institutions from various developing countries, the network has endeavoured to foster enhanced South-South trade and investment cooperation, characterised among others, by the launching of the G-NEXID's website ([www.gnexitd.org](http://www.gnexitd.org)) and annual meetings of the Forum. 'Observer Status' in UNCTAD underscores support for the Forum, while acceptance of the vision of the Forum by developing countries can be assessed from the fact that the membership of the Forum has reached 23 by March 2008.

### **ADFIAP Development Award**

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognises and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards are given to member institutions, which have implemented or enhanced outstanding and innovative development projects during the year.

The Bank has been conferred the 2008 "SME Development Award". The Award is in recognition of the Bank's "Enterprises Management Development Services (EMDS)" programme, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. The Bank, through this innovative programme developed through close interaction with the International Trade Centre (ITC), Geneva, has created an enabling environment for SME development, and seeks to support small enterprises through capacity building and assistance in formulating viable proposals. ■

# EXIM Bank Study on Indian Minerals Sector

## A Strong Case for Expanding Export Base to Tap Full Potential

In a detailed study of the Indian mining sector, Export Import Bank of India looks at its problems and challenges and makes suggestions as to how to exploit the full potential of this crucial area of the economy.

Minerals constitute the backbone of economic growth of any nation. India is endowed with significant volumes of mineral deposits. It is an established fact that India holds abundant reserves of minerals such as non-coking coal, iron ore, bauxite (metallurgical grade), dolomite, gypsum, limestone and mica; adequate levels of reserves of minerals such as lignite, chromite (metallic), manganese, UIK and graphite; but deficient in mineral reserves such as coking coal, chromite (refractory grade), bauxite (chemical grade), copper, lead, apatite, rock phosphate and kyanite.

### Production

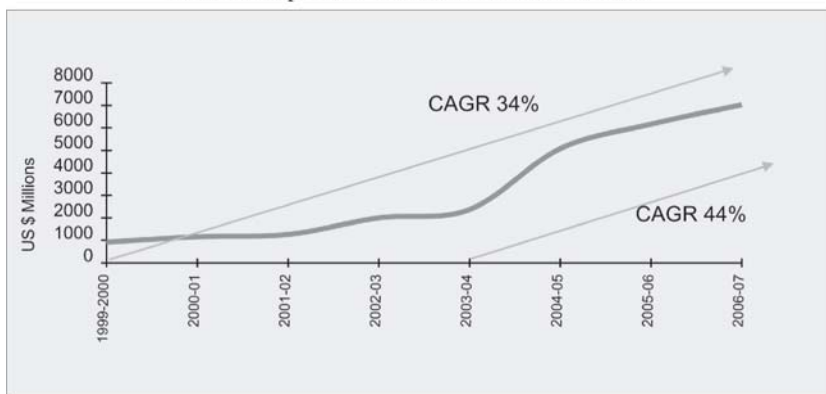
India has a unique blend of large, medium and small, manual and mechanized, opencast and underground mines. The total value of mineral production (excluding atomic minerals) is estimated at Rs. 99,533 crore in 2007-08. Fuel minerals (Rs. 68,229 crore) accounted for largest share (69 percent) in total mineral production in India, followed by metallic minerals (20 percent Rs.

19,755 crore), non-metallic minerals, including minor minerals (11 percent - Rs. 11,548 crore). Foreign Direct Investment (FDI) is being encouraged in the Indian mining sector. FDI up to 100 percent is permitted under automatic route for coal and lignite mining for captive consumption and setting up of infrastructure relating to marketing in petroleum and natural sector. For exploration of mining of diamonds, gold, silver and precious stones, FDI is allowed up to 100 percent under automatic route. During the period April 2000 to December 2007, the mining sector has attracted FDI inflows of US \$ 478 million (Rs. 19.35 billion).

### Trade

Exports of ores and minerals from India have grown from US \$917 million in 1999-2000 to US\$ 7028 million in 2006-07, a CAGR of 34 percent. The CAGR of exports of mineral between 2003-04 and 2006-07 had been 44 percent. Iron ore is the largest exported minerals from India accounting for 55 percent of total export of ores and minerals. Iron ore contributes much of the growth witnessed in export of ores and minerals. Other major ores exported from India include zinc ores (5 percent), chromium ores (2.5 percent), aluminium ores (2.3 percent), lead ores (1.4 percent), and titanium ores (0.6 percent). Compounded annual growth rate of India's export of zinc ores, chromium ores, and aluminium ores (73 percent, 34 percent and 50, respectively) have also been significant during the analyzed period.

Growth in Exports of Ores and Minerals from India



Source: Directorate General of Commercial Intelligence and Statistics, Government of India.

### World import of select minerals and India's export potential

Analyses have been carried out to know about the India's position in export of select minerals in major markets and compared it with the position of competitor countries.

### Zinc Ores and Concentrates

Zinc ores and concentrates are one of the leading export items of India in the minerals category. India exported zinc





ores and concentrates worth US \$ 382 million in 2006-07. World imports of zinc ores and concentrates were estimated to be US\$ 9.3 billion in 2006. Major importers were South Korea (US \$ 1554 million), Spain (US \$ 1236 million), Japan (US \$ 1149 million), and Belgium (US \$ 927 million). Australia, Peru, USA and Canada have served as major source countries for most of the top importers of zinc ores and concentrates. India has mainly exported to South Korea. It may thus be mentioned that Belgium, Japan, Spain and Canada, the other three largest, importers of zinc ores and concentrates in the world, hold further potential for exports from India. At present, India's export of zinc ores and concentrates to Japan and Spain are insignificant. In 2006-07, India did not export zinc ores and concentrates to Belgium.

### Aluminium Ores and Concentrates

World import of aluminium ores and concentrates amounted to around US \$ 2.3 billion in 2006. Major importers were USA, Ukraine, Ireland, Spain and Italy. Brazil, Guinea and Guyana have served as major source countries for top importing countries. USA mainly sourced from the Latin American region, especially Jamaica, Brazil and Guyana. Ukraine sourced mainly

from Guinea, Australia and India. Amongst the top importing countries of aluminium ores and concentrates, India mainly exported to Ukraine in 2006. However, in 2006-07, India's exports to other top importers were insignificant.

### Lead Ores & Concentrates

World import of lead ores and concentrates amounted to US \$ 2.1 billion in 2006. Major importers were China, South Korea, Germany, Japan and Belgium. Major importers principally sourced from Peru, Australia and USA. Germany principally sourced from European countries such as Poland, Ireland and Sweden, in addition to Australia and South Africa. India's export of lead ores and concentrates were mainly directed to China and to some extent Sri Lanka. In the case of lead

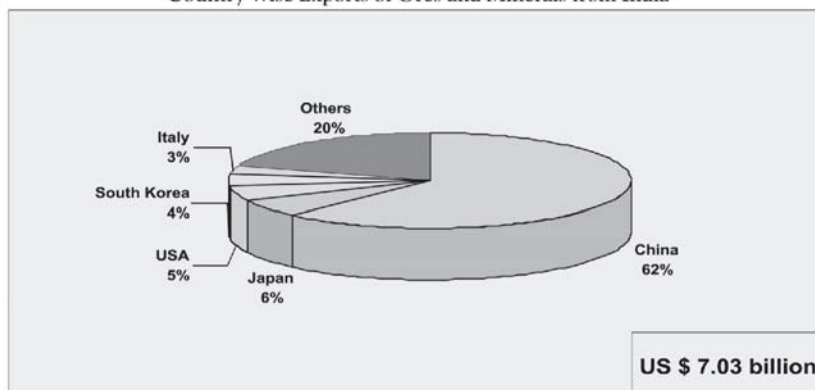


ores also, India needs to diversify its export markets and concentrate on other Asian countries such as South Korea and Japan.

### Manganese Ores and Concentrates

World import of manganese ores and concentrate - amounted to US \$1.5 billion in 2006. Major import markets include China, Japan, Ukraine, Norway and South Korea. These countries principally sourced from countries such, as Australia, Gabon, Ghana, Brazil and South Africa. Except Japan, other major importing countries have not sourced from India. India's exports of manganese ores and concentrates were mainly targeted to Japan and China in the year 2006-07. It is important that India diversify its export basket to explore the potential of new markets. Ukraine Norway and

Country-Wise Exports of Ores and Minerals from India



Source: Directorate General of Commercial Intelligence and Statistics, Government of India.

France, which are major importers in 2006, should thus be targeted for export diversification.

### Titanium Ores and Concentrates

World import of titanium ores and concentrates amounted to US \$ 1.09 billion in 2006. USA was the largest importer accounting for imports of more than US \$ 200 million. Other major importers were Germany (US \$ 146 million), Japan (US \$ 91 million), Taiwan (US \$ 81 million) and UK (US \$ 70 million). Major importers principally sourced in Australia, South Africa, Ukraine and Canada. India was the largest source country for Japan, with exports amounting to 44 percent India's total export of titanium ores and concentrates in 2006-07. Other major target markets of India were Malaysia, Korea, and Australia. India's export of titanium ores concentrates to other major import such as USA, Germany, Taiwan and UK were insignificant. India thus needs to concentrate penetrating in such markets.

### Chromium Ores and Concentrates

World import of chromium ores and concentrates amounted to US \$ 1.09 billion in 2006. Major importers were China, Russia, USA, Germany and Japan. India, Turkey and South Africa were the main source countries for these major importers. India's export of chromium ores and concentrates were principally directed to China. In the year 2006-07, over 88 percent of India's total exports of chromium ores and concentrates were directed to China. Japan (8.0 percent), UAE (2 percent) and Indonesia were other major destinations for India's chromium ore exports. India, thus, needs to broaden and diversify its export base, targeting countries such as Russia and Germany.



### Mica

Mica forms an important constituent of the export basket of Indian ores and minerals. The world market for Mica was valued at US \$ 114 million and the major importers



were mostly the developed nations of the world like USA, Japan, Germany and the United Kingdom. China, USA and Japan have been playing the role of both importer and exporter. India has been a major exporter, catering over 20 percent of the world's total imports. All major importers have been sourcing from India. However, India could endeavor to broad-base the market share in these countries.

### Graphite

World import of graphite was around US \$ 235 million in 2006. Major importers were Japan, USA, Germany, UK and South Korea. Germany and USA have been importing as well as exporting graphite in 2006. Brazil is another major source country catering to the import requirements of Japan, USA and UK. India, holding third largest reserve base in the world (next to China and Czech Republic), and second largest producer (next only to China) lags behind in terms of exports. This is another potential item, the production of which could be strengthened to increase exports.



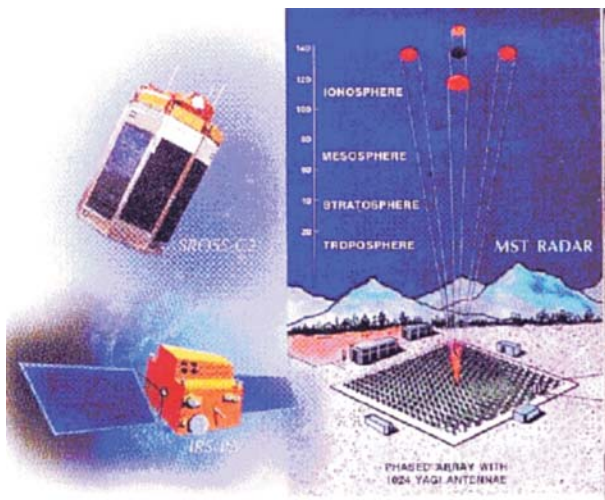
### Challenges & Competitive Landscape

The mining industry is largely a capital-intensive industry, which acts as a significant barrier to entry and also raises

the exit costs. In the world-mining scenario, there is a growing tendency towards consolidation, with a few multinationals dominating in several segments. The consolidation also led to backward or forward integration, especially with, the metals producers (steel and aluminium) joining the minerals segment, principally to defend the margins against escalating raw material prices.

## Technological Challenges

The mining sector in the country is an age-old sector. Although the sector has been opened for private foreign investments since 1991, most of mining firms in India still fall under the public sector domain, and require significant investment for technology infusion. Obsolete equipment is leading to lower productivity and diseconomies of scale.



## Infrastructure Bottlenecks

Inadequate infrastructure, both on-site and off-site, remains another bottleneck for the growth of the Indian mineral sector. The infrastructure requirement for the Indian mining industry is not met fully due to insufficient capital funds for investments.



## Investment Requirements

The mining sector has not attracted major investments despite liberalization of this sector for private and foreign investments. It may be mentioned that apart from right policy initiatives, challenges associated with land acquisition, onsite infrastructure development and transportation systems are acting as deterrents to investment in this sector. Another fallout is the insufficient knowledge base about mining resources, mainly due to inadequate funds for exploration activities.

## Insufficient Budget for Exploration Activities

The vast pool of mineral resources in the country is still very much untapped due to inadequate exploration initiatives. It may be noted that the Latin American and Australian regions have spent, in the year 2006, about US \$ 1700 million and US \$ 800 million, respectively, on exploration. India, which has an identical geological terrain, spends, on an average only US \$5 million on promotional exploration.

## Procedural Bottlenecks

Procedural complexities, especially the multi-level approval procedure, under different statutes and rules, are acting as major deterrents for investment growth in the Indian mining sector. Industry sources reveal that procedural complexities involving statutory and non-statutory clearances consume more than a year to get mining license in India.

## Inadequate Database on Mineral Concessions

It is being felt that there is inadequate information about areas available for different types of mineral concessions in India. Such inadequacy in information-base also acts as a deterrent for potential investors. Though there are provisions under the MMDR Act to maintain information/database of prospecting licenses, mining leases, reconnaissance permits etc., it is not widely available for public knowledge.

## Environmental Challenges

Mining activities involve various phases such as exploration and development, extraction, processing, transportation and transshipment. Each of these phases involve specific activities that can adversely affect the environment. The mining industry causes air pollution, water pollution, deforestation, degradation of land, noise and ground vibration, disturbance to local ecology; flora and fauna, and generation of waste, all



of these causing huge impacts in and around the mining areas. The expenses associated with mitigating such challenges are significant,

## Social Challenges

Social unrest happens in the absence of responsible mining activities. In many parts of the country; mining activity is 'often undertaken without the consent of the local people. Responsible mining practices should include paying due regard to cultural circumstances of the local people and loss of access to common resources.

## Policy Initiatives

It may be worth considering some short to medium term policy measures so as to improve the investment climate to promote broad-based growth in this sector. According to industry sources, clarity is limited in the rules governing the sector, specially with regard to grant or denial of concessions. The rules and regulations at the Centre and State levels are at times conflicting and confusing the investors. There should be a seamless transition from the stage of reconnaissance permit through prospective license to mining lease and security of tenure should be guaranteed to the maximum extent possible. The conditions for resettlement must also be made transparent and the rights of those whose lands are acquired must be suitably compensated.

## Stimulating Investment

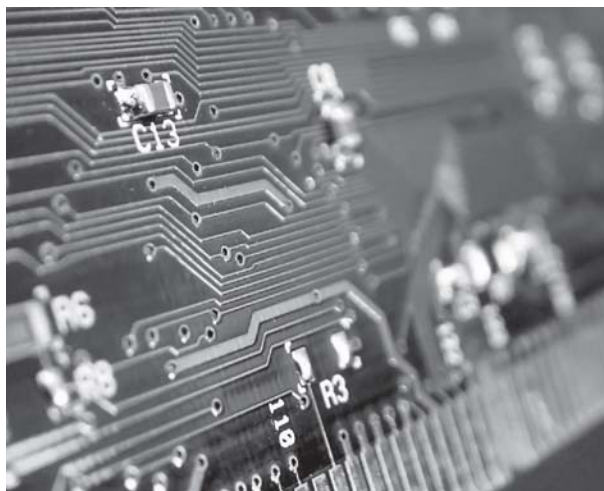
Appropriate fiscal concessions may encourage investment flows into the Indian mineral sector. Internationally, several mineral-rich countries are offering tax relief for investments made in the mineral sector. In India, under the New Exploration Licensing policy the oil sector gets 100 percent deduction in depreciation cost of exploration equipment within the first year and about 50 percent on certain capital machinery during the production stage. Such measures may also be extended to other minerals to encourage investment.

## Coordination Committee for Clearances

It is perceived that the existing procedures for obtaining reconnaissance permit through prospective license to mining lease were time-consuming and cumbersome. It may be more effective if a Multi-Department Coordination Committee is set up to clear the proposals and grant various authorizations/licenses.

## Technology Upgradation

The world over, technological changes are driving the



profitability of the mining industry. Mine developers/prospectors in several developed countries are using laser measurement technologies, global positioning systems, modern extraction technologies and use of information technology in mine design and planning. In the development, advancement and utilization of such innovative technologies are very important for the Indian mining sector to be cost effective and globally competitive.

## Infrastructure Development

The infrastructure requirement for the Indian mining industry is not met fully due to insufficient capital funds for investments. In addition to orienting the policies to attract investments for creation of mining infrastructure, the Government may have to encourage formation of joint ventures and alliances for shared infrastructure such as dedicated rail lines and power transmission networks. Further, an appropriate institutional in-line-work is also required for planning and promotion of mining related infrastructure.

## Establishment of On-line Registries

In order to make available the information related to mineral title systems to the prospective investors and to ensure adequate transparency while choosing; areas for mineral concessions, it is important to establish on-line registries, as available in many resource-rich nations such as Australia and European countries.

## Increasing Competitiveness

The Indian mineral sector needs to improve the quality and productivity in order to compete effectively in international markets. Competitiveness could be enhanced through efficiency in operations and prudent cost-cutting measures, through technology infusion.



## Strengthening Human Resources

Majority of the personnel available in India are required get requisite exposure in international practices. There is need for continuous upgradation to technology skills, thereby the productivity in the sector could be upgraded.

## Value Addition

Many state governments link the value addition clause with the mining leases, and insist that the concession holder should set up the mineral processing unit within the boundaries of the state. It may be mentioned that source of raw materials (mineral base) alone is not a determinant factor for investment intentions. There are host of other issues such as availability of power, labor and technology that influence investment decisions. Such conditions may have to be introduced in phases as the prospective investors have unprecedented opportunities across the world to access prospective geological areas in almost every region of the world.

## Environment Friendly Approach

Extraction and development of minerals are closely interlinked with other natural resources like land, water, air and forest. The areas in which minerals are often present, have other resources presenting a choice of utilization of the resources. Some such areas are ecologically fragile and some are biologically rich. It is necessary to take a comprehensive view to facilitate the choice or order of land-use keeping in view the needs of development as well as needs of protecting the forests, environment and ecology.

## Sustainable Development

One of the major challenges faced by the Indian mining sector is integration of economic activity with social

concerns. It may be worth realising that the objective of sustainable development in the mining sector should be to maximize the investment returns and to ensure an equitable distribution of the costs and benefits to the existing generation without reducing the potential benefits for the future generations to meet their own needs.

## Social Issues

Though enabling provisions are made through law, it should be the responsibility of the mining companies to obtain the consent of local people to gain access to land. While doing so, the cultural circumstances as also the living standards of the local population are taken into consideration.

## Conclusion

India's exports have largely been confined to only few minerals, with iron ore accounting for a significant share. It is therefore wise to diversify its export basket with mineral products that have a longer life index or with a larger reserve-base. India may, at the same time, identify the markets that can be tapped for such expanded list of products. This would not only help the country to have a diversified export base, but also avoid depletion or exhaustion of specific ores that may be critical for the development of the country in the years to come. This could be achieved through a more pro-active approach to undertake exploration activities. It is a matter of fact that the players in this sector have to increase their investments in exploration activities and make the mining activity as a composite business and not as a stand-alone business. Once exploration is given a greater emphasis in the business models of the players in this sector, mining would become a lucrative activity with an increasing volume of proven mineral reserves across the country. An appropriate incentive framework may

also need to be developed in order to attract private sector foreign investment in exploration related activities in the country. Mineral Exploration Tax Credit, as has been extended in some mineral-rich countries, may be one such measure to attract exploration-oriented investment in the Indian mineral sector.

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## Mirow Succeeds Lemierre as New EBRD President



The Board of Governors of the EBRD named Thomas Mirow of Germany as the Bank's fifth President, replacing Jean Lemierre who is stepping down at the end of two four-year terms.

Mirow is currently State Secretary at the German Finance Ministry, where his responsibilities include national and international financial market policies and the activities of international financial institutions and multilateral development banks.

He assumes the presidency as the Bank is increasingly shifting the focus of its activities further east and south-east in line with the requirements of its countries of operations.

Speaking after the Governors' decision, Mirow said: "I am greatly honoured to be joining an institution that has achieved so much in so few years since the collapse of the Berlin Wall. The region where the Bank works still faces

many challenges and I am convinced that the EBRD has the skills, the experience and the determination to help the region meet those challenges."

Mirow, 55, was born in Paris. After graduating from the University of Bonn in 1975, he worked as the assistant and then as chef de cabinet to former German Chancellor Willy Brandt, then Chairman of Germany's Social Democratic party.

After serving as Director of the Press Office of the city-state of Hamburg, Mirow held several senior positions within the Hamburg administration, where, between 1997 and 2001, he was state minister for economics. He also held several senior management and advisory positions in the private sector.

He was Director General for Economic Policy in the Federal Chancellery in 2005 and appointed State Secretary at the Federal Finance Ministry in November 2005.

Mirow succeeds Lemierre, of France, on 3 July, 2008, becoming the second German President in the 17-year history of the EBRD after Horst Koehler who led the Bank between 1998 and 2000. ■

## Kazakhstan Gets \$400 mln loan for Modernising Power Grid

The EBRD is providing the state-owned Kazakhstan Electricity Grid Operating Company (KEGOC) with a \$400-million syndicated unsecured loan to finance the second stage of the modernisation of substations and

high-voltage equipment to ensure the efficiency, reliability and safety of Kazakhstan's transmission system.

The project is the first signing under the Sustainable Energy Action Plan (SEAP), launched by the Government of Kazakhstan and the EBRD recently to promote the conservation and rational use of energy resources as well as the efficient and sustainable supply of power and energy in the country.

The EBRD will provide half of the loan to KEGOC with the remaining \$200 million (€127.5 million) to be

syndicated to financial institutions, including Bayerische Landesbank, Dexia Credit Local, Unicredit Group, RZB, Banca Infrastrutture Innovazione e Sviluppo S.p.A, Cordiant Capital, Calyon and Kommunalkredit International Bank under a A/B loan structure.

Successful syndication at tenors reaching an unprecedented 15 years is expected to send a reassuring signal to the investment community in Kazakhstan as well as to international investors in Kazakhstan in currently challenging market circumstances.

Volker Kuntz, Senior Vice President of Bayerische Landesbank said: "By investing in this project to increase the power system stability and reliability in Kazakhstan, BayernLB makes a considerable contribution to Kazakhstan's economic development and by fostering sustainability, plays an active role in protecting the environment and in meeting needs of future generations."

Kazakhstan's available power capacity is largely located in the north, while in the south energy has to be imported. KEGOC is currently trying to eliminate the imbalance with the construction of a new north-south transmission line, which the EBRD is co-financing and which is due to be completed in 2009. The Bank has also been involved in the modernisation of the existing transmission infrastructure since 1999.

Almassadam Satkaliyev, President of KEGOC, said "the signing of the loan for the Implementation Phase II became feasible due to the systematic work of the Government of Kazakhstan in developing the electricity sector. Other positive factors include support provided by the holding Samruk and the high level of relations with the EBRD that arranged the syndication of the loan on optimal terms."

The Government of Kazakhstan is determined to reduce the high energy intensity of the domestic economy in light of the rapidly growing demand in the country and increasingly constrained supply capability. To achieve this, the SEAP envisages a two-tier approach with investments in energy saving and efficiency measures as well as in the rehabilitation and construction of power plants.

The plan also recommends policy and regulatory measures to be implemented by the government with support from the EBRD. The ultimate objective is to support Kazakhstan's sustainable growth, economic diversification and competitiveness.



In addition to making investments, the EBRD will use the SEAP framework to support the drafting of relevant laws, improvements of the regulatory framework and the introduction of best international practice. The EBRD is already working directly with the government on an advisory basis to improve existing legislation and can provide additional assistance through technical cooperation funds.

The Sustainable Energy Action Plan was signed by Kazakhstan's Minister of Economy and Budget Planning, Bakhyt Sultanov, Minister of Energy and Mineral Resources, Sauat Mynbayev, Minister of Environmental Protection, Nurlan Iskakov, Chairman of the Agency for Regulation of Natural Monopolies, Nurlan Aldabergenov, and EBRD President Jean Lemierre.

"This agreement underlines the strong relationship between Kazakhstan and the EBRD", President Lemierre said. "We strongly support the country's drive to increase its energy security and have a very strong pipeline of energy projects in Kazakhstan both on the demand and supply side."

The EBRD is the largest single investor outside the oil and gas sector in Kazakhstan. To date the Bank has signed about 100 projects and invested €3.5 billion in the country. ■



# Growth Fund to Help Boost Kazakh Private Sector Investment

The EBRD Board of Directors has approved the establishment of the new Kazakhstan Growth Fund to strengthen private companies in non-extractive industries in the country by providing equity or equity related investments, raising standards of corporate governance and transparency and contributing to the restructuring of medium-sized companies.

The Fund will be set up jointly by the Kazyna Sustainable Development Fund, a state-owned joint stock company, and the EBRD and will have a capital of \$125 million. The Fund will be an active investor taking stakes in private companies with a focus on construction materials, food production, processing and packaging, primary extraction equipment and services, metallurgy, wood processing and textiles production and processing.

The Fund will operate on market principles and adopt the highest standards of corporate governance. At a later stage it is

envisaged to transfer ownership of the management company to the Fund's management team which would then raise a follow-on fund with a majority of private capital.

The Kazakhstan Growth Fund will provide companies located in Kazakhstan or in neighbouring countries but with strong links to Kazakhstan with much-needed equity to which local companies still only have limited access. At the Fund the EBRD's investment will promote institution building, a market-oriented approach and international best practice. The Bank's investment will furthermore support the development of the private equity market in Kazakhstan.

EBRD Business Group Director Olivier Descamps commented on the establishment of the Kazakhstan Growth Fund: "This is an important milestone in leading a state-owned institution to the market and could not happen more timely than at a moment when the provision of equity is more relevant than ever in Kazakhstan." ■

# Reaching Out to Remote Russian Rural Regions

The European Bank for Reconstruction and Development (EBRD) has officially opened an office in the Volga city of Samara, the fourth such regional office in Russia, as part of a long-term bank strategy which combines pushing deeper into Russia's regions and getting closer to its local clients.

The Samara office, opened by EBRD First Vice President Varel Freeman, covers the Volga Federal District where over 20 percent of Russia's population lives.

The EBRD, the largest single financial investor in the Russian economy, now has four offices outside Moscow: in St. Petersburg, Ekaterinburg, Vladivostok and now, Samara.

The Bank has started the procedure to add a further two regional offices in the cities of Krasnoyarsk and Rostov-on-the Don. These offices will, respectively, cover Siberia and Southern Russia.

The EBRD's Samara office covers the Volga Federal district, one of the seven such administrative units into which Russia is divided, and its opening underlines the Bank's strong commitment to regional development, Freeman said at a ceremony marking the inauguration which was attended by local authorities and representatives of the business community.

Of the €2.3 billion which the EBRD committed to Russia in 2007, as much as 90 percent was earmarked for projects outside Moscow and St. Petersburg, said Alain Pilloux, the EBRD's

Business Group Director in charge of Russia.

What also has to be remembered is that for every Euro that the EBRD invests, it mobilises another two Euros from its partners, Pilloux added.

The Bank's cumulative investments to date in the Volga Federal District amount to €620 million and cover a wide range of activities extending from the motor industry to fertilisers, civil aviation to hydroelectric power. These include three projects to modernise the supply and treatment of municipal water, as well as funding for the banking sector and the EBRD's extensive programme to support small, medium and micro businesses.

After the opening, Freeman plans to visit other parts of the Volga Federal district to meet with local authorities and discuss progress on existing and potential future EBRD deals. He will be accompanied on his trip, which will include visits to Kazan, Togliatti and Ulyanovsk, by Pilloux and Michael Hoffmann, head of the EBRD office in the Volga Federal District. ■



# Index to Help Sustainable Energy Strategies Launched

The EBRD has launched a new Index of Sustainable Energy (ISE) as part of its drive to help countries across its region of operations secure a sustainable supply of energy.

This new monitoring tool will allow experts and policy-makers to benchmark individual countries' progress in reform of three key areas energy efficiency, development of renewable energy sources and policies to address climate change.

The Index, which is described in the just-released EBRD brochure *Securing Sustainable Energy in Transition Economies*, provides a way of assessing how closely a country's policies, institutions and performance follow international best practice and serves as a guide for pinpointing areas of potential improvement.

EBRD chief economist Erik Berglof noted that, while energy challenges across the transition region vary, "it is increasingly evident that all countries need to develop coherent policies to guarantee a steady supply of energy, to use energy efficiently and to minimise the impact of energy use on the environment."

"By setting a common yardstick such as the ISE, policy-makers and opinion leaders can benchmark progress in their own countries and learn from the experience of others," Berglof said.

The basic structure of the indicator relies on three pillars (institutions, market incentives and outcomes) within each of the three components (energy efficiency-EE, renewable energy -RE and climate change -CC). These pillars form the basis of a sustainable energy system.

The ISE scores range from 0 to 1, with 0 representing a lack of institutions and market incentives to implement sustainable energy solutions coupled with poor energy outcomes (high carbon and energy intensity and little or no electricity generated by renewable resources) and 1 indicating an economy with strong sustainable energy institutions, market mechanisms and energy outcomes ranking in the top 20 per cent globally.



The ISE reflects striking contrasts in energy strategies and practices across the region. Western European nations tend to score around 0.8 on the composite scale, while new EU members score 0.5 or above, with the exception of Estonia, just below 0.5.

While some south-eastern European countries, such as Croatia score close to the new EU members, most countries in the western Balkans countries score below 0.4, as do both Russia and Ukraine.

The result for the bulk of the CIS countries is between 0.2 and 0.3 whether they are energy-rich countries or energy importers.

The Index reveals the complex relationship between institutions and outcomes. The establishment of good institutions, the authors note, does not always lead immediately to better outcomes; enforcement takes time and outcomes may improve only with a lag.

At the same time, some countries may have relatively good outcomes (in terms of energy or carbon intensity) despite a less advanced institutional structure. Albania, Bosnia and Herzegovina, Georgia, the Kyrgyz Republic and Tajikistan fit this pattern. This is due to these countries large endowments of renewable resources (particularly water, used extensively in hydroelectric generation plants) combined with their less energy-intensive industries and comparatively low level of economic output.

The Index of Sustainable Energy is a new and useful tool that reveals the urgency of improving institutions and market incentives now, as decisions taken today on technology, equipment and the entire energy infrastructure in the transition countries will affect energy efficiency and the ability to mitigate climate change for generations to come. ■

# Pact with World Bank to Raise Ukraine Farm Yield

The EBRD and the World Bank have called for new government policies to help boost investment in agriculture in Ukraine and to unlock the huge potential the country has to increase farming output.

At a conference on agribusiness organised jointly with the Ministry of Agrarian Policy of Ukraine, the two institutions said the current high food prices were a major opportunity for Ukraine, a net grain exporter. Ukraine is one of the few countries in the world that are in a position to significantly increase net exports and make up for emerging deficits elsewhere.

However, they noted that private investment in farming demand sound and transparent policy but also appropriate infrastructure and investments in public goods. Infrastructure problems include inadequate physical capacity of railway networks, ports, the road system as well as storage and investment in public goods should address issues such as research, extension and farm education.

A shift in policies and increases in private and public investments could help Ukraine to increase its grain production, possibly to as much as 70 million tonnes (from around 35 million tonnes in recent years). The increased production would largely translate into

increased export potential.

It is particularly important to respond to high food prices with appropriate policies and not with short-term reactions such as the introduction of export restrictions, the EBRD and World Bank said

They also made the following long-term recommendations, saying it is important to:

- Increase investments in storage, handling, transport and market information infrastructure;
- Establish an institutional framework for tradable land titles and lift the moratorium on land sales;
- Develop a regulatory basis to support financing instruments such as warehouse receipts and hedging instruments such as futures markets;
- Significantly increase public investment in agricultural research, development and extension, and in the training of agricultural specialists and farm managers;
- Establish a veterinary and food safety control system compliant with EU regulation and invest in the certification infrastructure that would give Ukraine access to the European market.
- Strengthen the market for agricultural inputs (seeds, fertilizers, equipment and services)

It is also important to try to deal with the social implications of high food prices. The two banks said the negative impact of higher domestic food prices should be cushioned with targeted social assistance programs. They also noted that the underlying cause of inflation is an overheating economy. Appropriate macroeconomic policies must be put in place to deal with inflation in general.





"This country has huge potential. With the right policies levels of investment can be increased and output can be increased significantly as well," said EBRD Agribusiness Director, Gilles Mettetal. "The EBRD is more than prepared to help support this investment"

"The public and private sectors need to work together to ensure the opportunities Ukraine has in agriculture are fully utilized", said Paul Bermingham, World Bank Country Director for Belarus, Moldova and Ukraine. "The World Bank is ready to assist the Government in making the transition to a new, market-based policy framework and public investment program."

The EBRD can help tackle these challenges and unleash the region's production potential by

- Supporting investments in the agribusiness sector and related infrastructure;
- Assisting in the development of financing instruments such as warehouse receipts;
- Supporting an effective policy dialogue involving the private sector and government officials at different levels.

The World Bank can help in the development of appropriate and consistent policies and the provision of key public goods including by

- Building key rural social infrastructure;
- Addressing market failures through upgrading research and extension services, farmer vocational training and information systems;

- Designing appropriate food safety and certification systems;
- Moving towards an efficient system of state support (de-coupled payments) to agriculture;
- Devising targeted social assistance programs for the rural poor and those affected in particular by rising food prices.

The EBRD is the single largest investor in the agribusiness sector in the region where it operates. Its involvement in the agribusiness sector spans all activities throughout the production chain, from farming, processing and trading to food distribution, packaging and retail.

The Bank has also played a major role in developing the sector by supporting local and foreign corporate clients as well as micro, small and medium sized enterprises.

In 2007 the EBRD invested €520 million in the agribusiness sector and expects to invest roughly the same amount this year.

More recently the EBRD provided a \$20 million loan to Ukraine's agribusiness group Astarta, to support its drive to put into operation equipment to achieve higher energy efficiency at its sugar production plants as well as in sugar beet farming operations.

The World Bank has invested over US\$5.5 billion in Ukraine since 1992, with around US\$ 677 million of commitments in the agricultural sector. It has also provided extensive analytical and advisory services in the sector to help remove obstacles for increased competitiveness.

Against the background of the global food crisis, the World Bank prepared a policy note entitled "Competitive Agriculture or State Control: Ukraine's response to the global food crisis", highlighting opportunities for Ukraine to benefit from the current situation on international markets, whilst mitigating the social impact of higher food prices at home. ■



## Индийская фармацевтическая упаковочная промышленность достигает новые многообещающие высоты

Сегодня, индийская фармацевтическая упаковочная промышленность оценена в 23 миллиарда долларов США и считается новой прогрессивной и перспективной отраслью для предпринимателей и рынка. Её темп роста составляет 15% годовых, в два раза больше чем темп роста международной упаковочной промышленности.

Упаковочное дело выполняет как нужды фармацевтической промышленности так и потребителей в трёх аспектах – презентация, защита и сохранение. Красивый вид упаковки в фармацевтике не является самым важным. Упаковка лекарства должна иметь важную информацию касающуюся содержания, химического состава, метода употребления, хранения, дозы, предосторожностей, касающихся использования, даты выпуска и срока хранения, номер партии и т.д.

Более современные лекарственные препараты, строгие требования правительства и более видные игроки на новых появляющихся рынках значительно увеличили спрос на фармацевтический упаковочный материал. Согласно докладу опубликованному группой Фридония, спрос на фармацевтическую тару будет ежегодно возрастать на 6.5%. Подсчитано, что оборот рынка достигнет в 2016 году 32 миллиарда долларов США. И также ожидается, что США, Австралия и Европа поглотят большую часть этого рынка, благодаря присутствию самых современных секторов производства медицинских препаратов.

Индийская упаковочная промышленность производит широкий ряд упаковки, начиная от рыхлой упаковки, упаковки пачками, упаковки в пластмассовую плёнку и до алюминиевой упаковки, (Alu). Сила упаковочной промышленности заключается в том, что почти всё нуждается в упаковке будь это твёрдое, гранулированное или жидкое вещество.

В связи с чем упаковочная



промышленность разработала ряд вариантов упаковки пластмассовой, стеклянной, бумажно, алюминиевой, бутылок из полиэтилен-терефталата, технологии для нарывного пластыря. Помимо этого, есть упаковка имеющая голограммы для того чтобы защитить подлинность лекарства и борются с фальсификацией и контрафакцией.

С другой стороны, благодаря современному упаковочному оборудованию, обеспечивающему точную дозировку и специфические лекарства для индивидуального спроса, Индия продвинулась на шаг вперёд.

Фармацевтическая промышленность Индии движется вперёд со временем, усваивая новейшие современные технологии, предоставляющие как безопасность так и удобство использования упаковки. Сейчас упаковочная промышленность всё чаще начала использовать технологию Alu – Alu и защищённую от воровства или неумелого обращения упаковку. Главная причина этого является удобство, внешний вид и защита от хищения.

В качестве эффективной меры в борьбе с фальсификацией и контрафакцией компания Innovative Solutions Bilcare недавно приобрела базирующуюся в Сингапуре Singular ID посредством своей дочерней компании Bilcare Singapore.

Singular ID или индивидуальная идентификация предоставляет брендовую продукцию, защищённую от фальсификации и контрафакции. И услуги на платформе нанотехнологии.

Упаковка является как бы инструментом в строительстве отношений между лекарством и пациентом или потребителем. Упаковка в фармацевтическом секторе играет ещё одну важную роль, потому что она касается вопросов выполнения определённых требований в употреблении лекарства и удобства для пациента. И эта задача особенно усложняется в случае лекарств для детей и престарелых.





Промышленность растёт, но есть определённые дела, о которых нужно побеспокоиться. Фальсификация и контрафакция наносит вред как бренду так и пациенту. Бренд специфической категории вышедший на рынок имеет ряд других брендов имитирующих его упаковочный формат. Это приводит к большим потерям, помимо опасности здоровью пациента.

Совместимость продукции и упаковки тоже является ключевым фактором, который производители должны принять во внимание, во время упаковки лекарства. Если упаковочный материал реагирует с лекарством, то полностью теряется эффективность лекарства.

Поэтому спросом часа является новаторство в секторе упаковки. Сейчас упаковка должна выполнять свою функциональную роль и так же должна быть более благоприятной для пациента.

Упаковочные компании во всём мире изучают пути разработки материалов основанных на нанотехнологии. Некоторые глобальные компании пытаются разработать нанокompозитные полимерные плёнки, сосуды, покрытия и типографические краски для упаковочных материалов. К примеру, компания Mitsubishi Gas Chemical Company, Inc. (Mitsubishi) вместе с Nanocor Inc.

(Nanocor), дочерная компания корпорации AMCOL International Corporation, разработали наноклей / MXD6, нелоную смесь (нелонный нанокompозит) для использования барьерных слоёв в многослойных бутылках из полиэтилен-терефталата. Интересно отметить, что сейчас на рынке есть 250 видов продукции с упаковкой

произведённой на основе нанотехнологии. Согласно недавним исследованиям фирмы «Нано рынки», ожидается, что RFID возрастёт до 4.8 миллиардов долларов США (€3.8мрд) в 2011году и достигнет 14.1мрд долларов в 2013 году.

Промышленность по производству упаковочных машин должна выполнять два набора требований, первый это удовлетворять нужды внутренних фармацевтических компаний, которые хотят крупномасштабное производство, простые дешовые машины, которые при низком техуходе дают большую продуктивность. И второй это удовлетворять предприятия выпускающие продукцию на экспорт, им нужны современные с высокой автоматикой, надёжные машины, котрых можно быстро заменять и усовершенствовать. Машины должны подходить как для кратковременного так и долгосрочного использования и быть способными справляться с различными дизайнами упаковок, чтобы выполнить требования специфических стран. При оборудовании должны быть документы подтверждающие легализацию и сертификацию машины. Так же большую роль играет фактор эстетики...

Внутренняя промышленность по производству упаковочного оборудования находит трудным выполнить требования сегмента ориентированного на экспорт, за исключением нескольких предприятий, потому что она всё ещё не подготовлена на все 100%. Поэтому фармацевтической промышленности приходится импортировать упаковочные машины из Европы, США и Кореи. И так как нет достаточного обученного персонала, они импортируют машины, которыми легко оперировать. Еще одной чертой этих машин является то, что в ходе операции потери упаковочного материала минимальные, что в свою очередь сокращает расходы на производство упаковки.

Индийская фармацевтическая индустрия страдает из-за нескольких проблем. Ими являются фальсификация и контрафакция, падение приверженности к лечению (Приверженность к лечению означает прием препаратов пациентом с точным соблюдением графика приема и дозировки), необходимость удобства, стоимость коммуникации и стабильности формуляций. Эффективная упаковка может помочь пациенту получить подделанное лекарство, нужную помощь и тем самым защитить пациента от всех этих проблем. Поэтому потребностью часа является постоянные инновации, усовершенствование в свете критически важной озабоченности об окружающей среде, транспортировке и хранении. ■



# Роль консервантов в продлении срока годности фармацевтических препаратов и увеличении прибыли компаний



Активные фармацевтические ингредиенты (АФИ) являются важнейшей составляющей всех лекарственных средств. Фармацевтические компании добавляют неактивные компоненты в медицинские препараты для преодоления сложностей производственного процесса с тем чтобы сделать лекарственные формы - более удобными в применении.

Согласно результатам анализа, проведённого ВСС, — американской компанией, занимающейся маркетинговыми исследованиями, — производство консервантов на мировом рынке в 2006 г. составило 3,5 млрд. долларов США. При этом рост рынка составляет 3,8% в год, и к 2011 году он достигнет 4,3 млрд. долларов.

Консерванты защищают твёрдые препараты от атмосферного воздействия, гигроскопичные - от влажности. Они доставляют растворяющиеся во рту таблетки непосредственно в кишечник / толстую кишку и маскируют горький вкус некоторых препаратов. Сладкие таблетки, например, легко проглатываются, не раздражая вкусовые рецепторы. Разноцветные пилюли нравятся детям и помогают больным тем, что выделяются среди других лекарственных препаратов. Иногда АФИ нуждаются в связующих веществах или стабилизаторах.

Количество консервантов может варьироваться в

зависимости от дозы, в то время как разные виды консервантов выполняют различные функции. Например, связующие вещества удерживают вместе составляющие препаратов, предотвращая их от рассыпания и не затрудняя их движение в пищеварительном тракте. Смазывающие вещества необходимы для отсоединения готовых таблеток от производящих их автоматов, а чернила для печати и красители требуются для кодировки цвета. Консерванты также значительным образом влияют на биологическую доступность лекарственных средств.

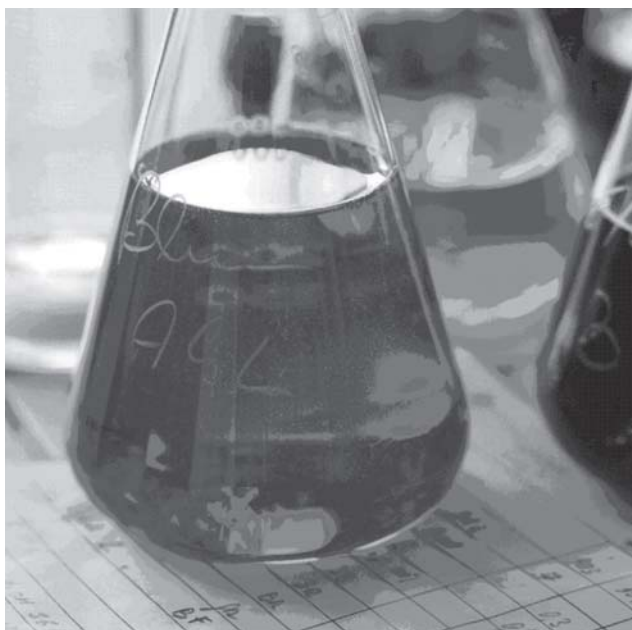
В совокупности консерванты составляют почти 90 процентов конечного продукта по весу и объёму. Поэтому представляется важным, чтобы их стандарты и технология производства строго регулировались с учётом общей безопасности фармацевтических препаратов.

## Преимущества

- Консерванты делают лекарство лёгким в употреблении и придают им определённый вид. Среди сотен других целей их применения, консерванты важны для придания препаратам приятного вкуса.
- Внешняя оболочка необходима для улучшения внешнего вида пилюль и их лёгкого проглатывания.
- Энтерическая оболочка увеличивает биологическую доступность и обеспечивает постепенное высвобождение активных ингредиентов.
- Консерванты защищают твёрдые препараты от атмосферного воздействия, гигроскопичные - от влажности. Они доставляют растворяющиеся во рту таблетки непосредственно в кишечник / толстую кишку и маскируют горький вкус некоторых препаратов.
- Консерванты облегчают производство, улучшают качество и действие лекарственных средств. В зависимости от необходимости, они маскируют горький вкус отдельных активных компонентов, позволяют варьировать степень их высвобождения в организме, защищают препарат от воздействия желудочного сока и наоборот.

## Сложности





Первым условием при выборе консерванта является его биологическая инертность и неспособность реагировать с другими веществами, поскольку некоторые из таких добавок неблагоприятно действуют на пациентов. Проблемы возникают при смене пациентами фирм-производителей или при переключении с фирменных препаратов на непатентованные: например, у некоторых больных при смене фирменного препарата «Кордарон» на его непатентованную версию «Амидарон» могут возникать проблемы с лёгкими и необычные степени концентраций метаболитов.

Противоастматические препараты содержат сульфиты, способные вызывать затруднения дыхания, чувство сжатия в грудной клетке и пр. Сульфиты присутствуют в большинстве противовоспалительных средств, предназначенных для лечения таких заболеваний, как артриты.

Аналогично, в то время как красители являются одними из самых распространенных компонентов медицинских препаратов, такой краситель, как жёлтый солнечного заката, ассоциируется с расстройствами пищеварительного тракта.

Все эти проблемы решаются с помощью соответствующих исследований и контроля за качеством. Исследования должны быть направлены на оценку долгосрочных побочных действий консервантов и замены относительно опасных добавок безопасными и инертными средствами. Минусов при этом быть не должно – вспомогательные вещества должны быть максимально инертными и повышать фармацевтическое действие основных составляющих медицинских препаратов.

Несмотря на то, что производство АФИ должно соответствовать правилам организации производства и контроля качества лекарственных препаратов

(GMPs), налагаемых государственными органами контроля, производство консервантов, как правило, не регулируется столь строго. Для организации производства и контроля качества консервантов Международным фармацевтическим советом по вспомогательным веществам изданы специальные указания. Случаи отравления, имеющие место время от времени, указывают на необходимость разработки обязательных правил в отношении производства консервантов. Побочные действия можно предотвратить при условии соблюдения мер предосторожности. Компании, выпускающие консерванты, уже предприняли ряд шагов в направлении предельно возможного снижения побочных действий консервантов.

Красители требуются почти в каждой отрасли промышленности, и фармацевтическая индустрия в этом смысле не исключение. Вместе с пищевой промышленностью она потребляет около пяти процентов выпускаемых красителей и, следовательно, представляет важную потребительскую группу. В соответствии с Мировыми стандартами классификации отраслей (GICS), предприятиями по выпуску специализированных химикатов считаются производства, преимущественно выпускающие наиболее ценные химические вещества, применяемые в производстве широкого ассортимента продуктов, включая, но не ограничиваясь, консервантами чистых химикатов, сложными полимерами, связующими веществами, герметизирующими составами и специальными красками, пигментами и покрытиями.

Глобализация систем поставок в фармацевтической индустрии в будущем будет представлять значительную трудность для обеспечения надлежащего качества медицинских препаратов. Индийские производители лекарственных средств импортируют значительные объёмы АФИ и консервантов из Китая по причине их дешевизны. Особое внимание следует обратить на качество импортируемых средств, использующихся для выпуска фармацевтических препаратов.

Правительство Индии приняло закон об обязательной регистрации с 1 апреля 2003 г. всех импортируемых лекарств и фармацевтических препаратов. Отсутствие ранее такой системы регистрации привело к импорту в страну большого количества нестандартных лекарственных веществ. На сегодняшний день контроль за качеством импортируемых АФИ в Индии нет.

Компании с рынком сбыта и фундаментальным анализом конъюнктуры обречены на процветание. Эта узкоспециализированная индустрия наукоёмка по сути, и с целью выживания на мировом рынке индийские компании осознали, что они должны использовать имеющиеся базы знаний. ■



# Фармацевтические МСП: Двигатели Малого Объема с Большой Потенциальной Работоспособностью.

В новую эпоху глобализации, размер не имеет значения. Малые и средние предприятия (МСП) часто называют двигателями экономического роста. Трансграничное деловое сотрудничество позволяет малым и средним предприятиям расширить свои рынки и каналы распределения, осуществить рост эффективности хозяйства, за счет роста производства, объемов продукции и процессов, а также предоставляет возможность для продажи и лицензирования технологически основанных ресурсов.

В индийском фармацевтическом секторе малые и средние компании заново изобретают себя. Перспективы фармацевтической промышленности привлекают иностранных участников, которые стремятся принять участие в развитии основной части фармацевтической промышленности. В Индии насчитывается около 250 крупных и около 9000 малых единиц, которые составляют ядро фармацевтической промышленности (включая пять единиц, принадлежащих и централизованных государственным сектором). МСП имеют потенциалы в области производства, системы снабжения и промысловых эксплуатаций.

В фармацевтическом секторе МСП взяли на себя контрактно-производственные работы низкого уровня, потому что они остались без какого-либо выбора, так как работы высокого технологического уровня были уже взяты крупными участниками. В любом случае, это является перспективой для них и они пытаются максимально использовать ее.

В последнее время, в фармацевтической промышленности МСП зарабатывают быстрые и огромные доходы от Контрактных Исследований и Производства Услуг (CRAMS). Эта растущая область имеет огромный потенциал не только на внутреннем рынке, но и в глобальных направлениях. Большинство МСП не только продолжают свое существование, но и будут преуспевать, так как рассчитывается, что индийский рынок Контрактных Исследований и Производства Услуг к 2010 году достигнет отметку 900 млн. долл. США.

Контрактные Исследования и Производство Услуг является быстрой прибылью для МСП, так как сначала они вынуждены поддерживать и продолжать свое существование, а затем расти. С того времени, как они открыли завод, он должен начать работать и его мощность должна быть использована для погашения, взятого для этого, банковского кредита. Тем не менее,

МСП необходимо понять, что это является лишь первым, а не окончательным шагом на пути к их росту. Поэтому, в то время, как они поддерживают сами себя, они должны иметь определенные планы своего дальнейшего роста.

МСП в индийской фармацевтической промышленности на начальном этапе нужна поддержка и финансирование крупными участниками этой отрасли, что бы стать агентами исследовательской и инновационной деятельности. Некоторые рыночные давления создают и сложные задачи, и возможности для МСП. Решение этих задач и превращение их в возможности требует скорости, новаторства, гибкости и приспособляемости. В то время, как поддерживаются эти атрибуты, становится еще сложнее, так как компания растет и развивается в новые регионы или направления бизнеса, открывает и запускает новые заводы, как раз в это время правильная ИТ-инфраструктура может сделать все преимущественные изменения.

**Проблемы МСП можно подразделить на следующие категории:**

**Внутренние:** Что касается внутренних проблем, то они связаны с проблемами управления. МСП необходимо направлять и управлять своими ресурсами гораздо лучшим способом. Это произойдет, если они сосредоточатся только на нескольких вещах вместо того, чтобы пробовать сделать много. Также они могли бы действовать более эффективно за счет улучшения своих финансовых и маркетинговых навыков управления, оба из которых имеют решающее значение для продолжения существования компании.

**Финансы:** Сектор МСП сталкивается с трудностями из-за отсутствия финансовых средств, необходимых для решения каких-либо серьезных изменений в нормах и правилах. Только те МСП, которые имеют достаточно средств для расширения и вовлечены в исследования и изобретение новых лекарств, предположены продолжить свое существование в долгосрочной перспективе.

**Внешние:** Дополнительная поддержка требуется и от правительства. Существуют многочисленные инициативы, уже предпринимаемые правительством. Но в действительности, когда мы подходим к реальным фактам, ничего конкретного не происходит. Деньги, выделенные для МСП, не просачиваются к ним вниз. Как результат, правительство приходит к мнению о том, что основной капитал недостаточно





используется. Например, имеются сообщения о том, что заместитель председателя плановой комиссии отметил, что выделенные в соответствии со схемой Кредитированого Субсидированием Капитала (CLCSS) 6 млрд. рупий не были использованы, и, следовательно, они серьезно думают о прекращении этой схемы.

Министерство Финансов, в соответствии с Программой Фонда Модернизации Фармацевтических Технологий (PTUFS), выделило 5 млрд. рупий для поддержки малых фармацевтических предприятий страны для модернизирования технологий их фармацевтических производственных юнитов, что бы соответствовать стандартам (Статья М). Национальный Производительный Совет, который уполномочен осуществлять задачу по подготовке условий осуществления и реализации методов Фонда Модернизации Фармацевтических Технологий (PTUF), отправится в поездку по некоторым ключевым концентрациям малых предприятий, таких как Индор, Тана, Калькутта и Анклешвар.

Конфедерация МСП Фармацевтической Промышленности (SPIC) востребовала предоставление условий программы для всех существующих производителей в разработке рецептур и нефасованных лекарственных препаратов.

**Человеческие ресурсы:** Человеческие ресурсы являются большой проблемой для МСП. Большие фармацевтические компании привлекают талантливых специалистов из МСП, предлагая им стимулы и преимущества, такие как распределение акций и другие дополнительные льготы. Владельцы МСП не могут позволить себе платить большие зарплаты своим работникам и, следовательно, теряют их. Во-вторых, ИТ-индустрии и ИТЭС (Информационные Технологии и Электронные Системы) также оказывают влияние на финансовые расходы в фармацевтическом секторе в целом и МСП

в частности. Это влияние является более заметным в сегменте МСП, потребительские возможности которых являются гораздо меньшими, чем более крупных участников.

МСП все в большей степени зависят от эффективного бизнес-решения для организованной работы, улучшения эффективности и введения новшеств. Автоматизация производства дает им возможность перенаправлять ресурсы от административных задач и сосредоточиться на деятельности, которая может дифференцировать ихнюю продукцию или услуги на рынке.

В целях снижения риска в разработке новых лекарств, индийские компании продают лицензии или их часть на свои препараты таким крупным мульти-национальным компаниям(МНК), которые могут оказать поддержку их научно-исследовательской деятельности, огромному маркетингу и организации продаж. Малые компании не имеют необходимого бюджета для проведения новых разработок лекарственных средств, которые являются одним из основных направлений для фармацевтических компаний к инновационной самостоятельной деятельности.

Стратегия по продаже лицензий, позволяет мелким индийским фармацевтическим владельцам сосредоточиться на этом направлении с помощью партнерства с участниками глобальных компаний, которые имеют основное направление на научно-исследовательские работы и могут изобрести инновационные препараты, а также имеют требуемый доступ к новым быстро-растущим рынкам фармацевтики. Малые и средние компании могут иметь больше выгоды от этого в крупном масштабе, так как это дает ответ на расхождения линии производства с планируемым ассортиментом продукции, который является основой для роста.

Недавно малые фармацевтические производства страны добились распоряжения Премьер-Министра Манмохан Сингха по устранению аномалий в размере необлагаемого минимума акцизного налога для мелкомасштабного производства, вытекающих в снижении центральным правительством размера налога с 42,5 процента до 35,5 процента (в последнем бюджете). В Союзном бюджете 2007 года правительство подняло акцизный лимит для мелкомасштабного производства из 10 млн. рупий до 50 млн. рупий, в то время как рассматривалась устранение 42.5% акцизного налога на розничную цену. Его уменьшение на 7% в бюджете 2008 года не оставило никакого просвета на полное освобождение мелкомасштабного производства от акцизов.

Сегодня, если каждое МСП может сосредоточиться на самых главных пяти странах и удовлетворить ихние потребности путем предоставления качественных и доступных лекарственных средств, тогда будет огромный многократный эффект в их работе, и если направить все это надлежащим образом, они, безусловно, станут растущим фактором фармацевтической отрасли. ■