

Qatari-Turkish partnership an inspiring model of bilateral alliances, says al-Kuwari



HE Ali bin Ahmed al-Kuwari, Minister of Commerce and Industry, is leading Qatar's delegation to the OIC High Level Public and Private Investment Conference, which is taking place in Istanbul from yesterday, under the theme of "Unleashing Intra-OIC Investment Opportunities: Investment for Solidarity and Development." The conference will end today.

Qatar's participation in the conference comes within the framework of its keenness to strengthen bilateral relations with Turkey and to bolster co-operation with OIC member states, while providing insight into the investment climate in Qatar and the opportunities that the State offers in various promising sectors.

In his remarks, al-Kuwari said the conference represented a key step towards promoting trade and investment co-operation and integration among Islamic countries.

Al-Kuwari noted that numerous international institutions have lowered their estimates for global growth for the current

year, including the Organisation for Economic Cooperation and Development (OECD), which noted in its latest November 2019 report that the global economy will grow at the slowest pace since the global financial crisis at a rate of 2.9% in 2019 and an average of 2.9%-3% between 2020 and 2021.

The International Monetary Fund (IMF) also projects that over 70% of economies around the world will experience a decline in GDP growth to 3.3% in the first half of the year compared to 3.6% in 2018, al-Kuwari added.

Al-Kuwari explained that these estimates reflect delicate geostrategic and economic changes that coincided with a slowdown in multilateral trade and the negative repercussions of political uncertainties, which are leading to rising economic nationalism and protectionist measures at the global trade level, which resulted in a slowdown in various global economic sectors, especially foreign direct investments.

Al-Kuwari said the decline in investment inflows was evident across OIC Member States, noting that FDI inflows into the OIC region stood at \$107.4bn in 2018, dropping by \$35.6bn compared 2011. Al-Kuwari noted that this decline reflects the magnitude of the challenges faced by investors in OIC countries, particularly in terms of restrictions imposed on the transfer of profits and foreign capital. Al-Kuwari called for the adoption of a comprehensive economic strategy to encourage investment inflows and stimulate growth in a way that reflects the economic capabilities and potential of member states in a bid to achieve economic integration and promote joint Islamic action.

Touching on Qatar's economic performance, al-Kuwari explained that the Qatari economy saw a balanced and flexible performance in the midst of these global conditions.

In this context, al-Kuwari highlighted Qatar's efforts to support the private sector and to diversify its economy in line with the National Development Strategy 2018-2022, which aims to promote the growth of added value sectors including the industrial, financial services and tourism sectors.

Al-Kuwari highlighted that Qatar has sought to speed up the

implementation of key initiatives and measures aimed at cementing the country's position as an attractive business and investment destination.

Touching on Qatar's legislative environment, al-Kuwari emphasised Qatar's keenness to consolidate foreign investment-friendly laws such as the law regulating the investment of non-Qatari capital in economic activity and the Free Zones Investment law, which allow investors up to 100% ownership.

Al-Kuwari noted that Qatar is embracing a policy of economic openness to effectively engage with global markets, and build fruitful international partnerships, by capitalising on its developed infrastructure such as Hamad International Airport and Hamad Port as well as free zones and logistical and industrial areas, which represent an important incentive for foreign companies to invest in non-oil sectors to tap local markets and expand their business into new regional markets.

Al-Kuwari elaborated on the Qatari-Turkish strategic partnership, which represents an inspiring model of bilateral regional alliances.

Al-Kuwari explained that Qatar and Turkey enjoy close and friendly relations, noting that these relations reflected positively on bilateral trade, which reached about QR5.69bn, the equivalent of \$1.55bn between January and September 2019.

Al-Kuwari added that the growth in bilateral trade reflects the effectiveness of Qatari-Turkish joint measures and initiatives particularly the Trade and Economic Partnership Agreement that was signed in November 2018.

Al-Kuwari noted that this agreement represents a decisive step in bolstering economic integration between Qatar and Turkey, adding that the benefits of the agreement outweigh those secured within the framework of the World Trade Organisation in terms of preferential transactions and customs exemptions for goods and services as well as the incentives it offers to investment companies in both countries.

Al-Kuwari praised Turkish companies for contributing to the growth of the Qatari economy, noting that more than 535 Qatari-Turkish joint companies are currently operating in

Qatar.

Al-Kuwari concluded his remarks, noting that the purpose of his participation in the conference is to bolster joint Islamic action in line with the OIC principles and objectives, and to develop co-operation and co-ordination mechanisms among member states to promote investments and to serve the developmental orientations and aspirations of people in terms of stability and prosperity.

During its participation in the conference, the Qatari delegation showcased the most prominent laws and legislations that the State ratified to stimulate foreign direct investments, in addition to the incentives and services offered to investors to streamline the submission of investment applications and the processing of transactions, and to eliminate obstacles that may face investors with relevant authorities, which will contribute to attracting foreign direct investments and enhancing Qatar's competitive position in the region and beyond.

The conference aims to promote investments within the framework of the OIC by reducing obstacles that impede the flow of goods, services and financing between OIC member states and adopting mechanisms that facilitate business procedures.

The conference provides a platform for public and private policymakers in OIC member states to discuss issues of common interest including innovative financing sources for the development of the private sector and the enhancement of the global value chain as well as the role of export credit agencies in mitigating trade and political risks to encourage and protect investments, in addition to the dynamics of the private sector to enhance investment flows within OIC and the role of investment promotion agencies in promoting investments within the organisation's framework among other topics aimed at enhancing sustainable partnerships between public and private sector stakeholders in member countries and stimulating investments in the region.

The High Level Public and Private Investment Conference is

organised and sponsored by Turkey, the Organisation of Islamic Cooperation and the Islamic Development Bank. The conference, which sheds light on various sectors including the trade, agricultural and infrastructure sectors, brings together 750 participants from 56 countries, including heads of states, ministers, senior officials, decision makers and business leaders.

Measuring Democratically

Growth



or decades, gross domestic product has captured the attention of economists and policymakers around the world, offering a single, simple proxy for economic growth. Yet for all of its convenience, it is a poor proxy for human progress, and could easily be improved with a complementary metric that weighs citizens more equally.

WASHINGTON, DC – Abhijit Banerjee and Esther Duflo, two of this year's recipients of the Nobel Memorial Prize in Economic

Sciences, are the latest among leading economists to remind us that gross domestic product is an imperfect measure of human welfare. The Human Development Index, published by the United Nations Development Programme, aggregates indicators of life expectancy, education, and *per capita* income and has long been available as an alternative to *per capita* income alone. In 2008, Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi outlined the many failures of GDP for the French government-sponsored Commission on the Measurement of Economic Performance and Social Progress. Subsequent OECD-sponsored work elaborated on their findings, and related research by the Brookings Institution's Carol Graham (on subjective wellbeing) and Duke University's Matthew Adler (on the measurement of social welfare) has received well-deserved acclaim.

Nonetheless, GDP continues to reign supreme in the halls of power. Policymakers around the world are constantly awaiting the latest quarterly data on GDP growth, and variations of one-tenth of a percentage point are regarded as significant indicators of macroeconomic performance. The International Monetary Fund's *World Economic Outlook* may include in-depth analysis across a wide range of topics, but it always starts with GDP.

To see why treating GDP growth as a proxy for progress even in terms of income alone is highly problematic, consider the case of a country with ten citizens and a GDP of \$190, where nine citizens start with \$10 each and the tenth citizen starts with \$100. (Moreover, assume that GDP is equal to national income, so that net factor income from abroad is zero.)

Now, imagine that the first nine citizens experience no income growth in a given year, while the tenth enjoys a 10% increase. GDP will have increased from \$190 to \$200, implying an annual growth rate of approximately 5.26%. This is reflected in the usual way national income is computed. Individuals are weighed by their share of total income, and that 5.26% rate represents

a weighted average in which the income growth of the tenth citizen counts nine times more than that of each of the other nine citizens.

Contrast this example with one in which the same country uses a “democratically” measured growth rate, weighing each individual equally as a share of the population rather than as a share of total income. Here, the growth rate would reflect the weighted sum of nine 0% growth rates and one 10% growth rate, each weighed at one-tenth, with a resulting total growth rate of 1%.

The weighing of individuals by their share of income is not generally perceived by the public. But this implicit practice is important to point out, because it enshrines the principle of one dollar, one vote, rather than one person, one vote. It is essential for assessing the total size of a market or the economic “power” of a country, but it does not capture an economy’s performance for its citizens.

This is hardly the only reason why GDP is an inadequate measure of human wellbeing. It also ignores people’s need for respect, dignity, liberty, health, rule of law, community, and a clean environment. But even if all of these other democratic “goods” were satisfied, GDP still would fail as a metric of progress, purely in terms of income alone.

Building on work by the economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, the Center for Equitable Growth has proposed “GDP 2.0,” a metric that would complement existing aggregate GDP reports by disaggregating the income growth of different cross sections of the population (such as income quintiles). Providing this kind of distributional picture regularly would require increased coordination among government departments, as well as some conventions on, for example, how to use tax data to complement the usual national accounts. But conventions are also needed for existing national income accounting.

Provided that distributional data are routinely available, one could compute a growth rate based on the weighted average across each decile of the income distribution, with equal weighting for population, as in the example above. Individuals would still be weighed by their incomes *within* each group (which is why it would be preferable to use deciles rather than quintiles), but the final product would be much closer than current methods to the “democratic” ideal.

One of the main advantages of GDP growth is that it is expressed with a single number, whereas other performance indicators either are presented within dashboards comprising multiple metrics or aggregated in essentially arbitrary ways. The implicit use of income shares as aggregation weights is perfectly appropriate for macroeconomic analysis and is not arbitrary. The problem arises when GDP becomes a proxy for progress. What we can measure easily and communicate elegantly inevitably determines what we will focus on as a matter of policy. As the Stiglitz-Sen-Fitoussi report put it, “What we measure affects what we do.”

Publishing a democratic metric like the growth rate of GDP 2.0 is no pipedream. A GDP growth rate using equal weights for each decile of the population would also produce *a single number* to complement the usual growth rate. True, it still would not capture the substantial differences *within* the top decile in many countries where the top 1% have been gaining disproportionately compared to everyone else. And we still would need other metrics to measure performance in dimensions other than income. But as a single figure published alongside GDP growth, it could go a long way toward changing the dominant conversation about economic performance.

HIA concludes participation at Qitcom



Hamad International Airport (HIA) has concluded its participation at Qitcom 2019 by demonstrating key elements of its innovative Smart Airport programme.

In line with Qitcom's theme this year, 'Safe, Smart Cities', HIA's exhibition booth showcased the airport's paperless air travel experience, whereby passenger verification is performed seamlessly across check-in, bag drop, security check, and aircraft boarding using facial biometric identification.

Passengers checking in at HIA will be able to use a biometric enabled check-in kiosk to create a digital ID by taking their photo.

In future, travellers would also create a secure and reusable digital ID on their smart phones, making their experience swifter and more convenient. Underlining its vision for the airport-of-the-future, HIA also unveiled its new 'Wayfinding and Information' system, where passengers can simply walk up to an information screen, be recognised by their face, and instantly provided with personalised flight and gate information.

The five-star airport also demonstrated its mobile app 'HIAQatar' featuring real-time airport navigation using bluetooth beacon technology; flight and gate information notifications; easily searchable information about services, amenities, shops, cafes, and restaurants for passengers to enjoy their experience.

Recognising the highly-intuitive, relevant features and content of the HIA mobile app, the airport has been awarded 'Mobile App of the Year'.

The award was received by engineer Badr Mohamed al-Meer, chief operating officer at HIA, from HE the Minister of Transport and Communications Jassim Seif Ahmed al-Sulaiti during Qitcom's gala dinner and Qatar Digital Business Awards 2019 ceremony.

The airport also exhibited its 'Digital Twin' prototype, which is designed to provide visual 3D situational awareness in real-time on what is working well and what needs attention to maintain operational excellence or world-class passenger experience that HIA is renowned for. Visitors, particularly student groups from schools in Qatar, were also mesmerised by HIA's high-tech, high-touch robot concept for assisting passengers.

HIA was recognised as the fourth-best airport in the world and the best airport in the Middle East at the Skytrax World Airport Awards 2019.

HIA is currently a candidate for 'World Best Airport' for the Skytrax World Airport Awards 2020. The results will be announced in March 2020 at the Skytrax World Airport Awards. Passengers can vote for HIA by visiting the Official Skytrax World Airport Survey website at http://www.worldairportsurvey.com/Surveys/favorite_airport.html.

Blue Economy is Essential for All of the Euro-Mediterranean Nations



ATHENS: (Agencies) No single factor is more important to cross-border cooperation than the rule of law, a leading energy policy expert told this week's EU-Arab World Summit in Athens.



Greek Prime Minister H.E. Mr. Kyriakos Mitsotakis greeting Energy expert Mr. Roudi Baroudi at the 4th EU Arab-World Summit in Athens, October 2019

Several high-profile speakers addressed opening-day sessions on Tuesday, including Greek Prime Minister Kyriakos Mitsotakis, Cypriot President Nicos Anastasiades, former French Prime Minister Francois Fillon, and former Italian Prime Minister Massimo D'Alema. Most of these dealt in broad strokes with topics of mutual EU/Arab interest such as economic challenges, the immigration crisis, and shared interests in the Mediterranean's rapidly expanding oil and gas industry.

On Wednesday, speakers delved more deeply into specific issues, among them Greece's Deputy Minister for Energy and the Environment, Gerassimos Thomas, who focused on the geopolitical relationship(s) among undersea gas resources, liquified natural gas (LNG) activities, the delivery of East Med resources to Europe, and associated concerns about

environmental impacts.

This and other in-depth talks prompted Roudi Baroudi, CEO of Doha-based independent consultancy Emergy and Environment Holding, to remark that with such a complex web of factors at play among so many countries, the only logical approach was to ensure that any and all stakeholders willingly submit to the same rules.



Mr. Roudi Baroudi with H.E. Mr. Massimo D'Alema, former Prime Minister of Italy

“In order to fully appreciate and safely exploit all of the advantages offered by well-managed maritime resource, there can be no substitute for common rules and standards,” Baroudi told attendees and journalists on the sidelines of the summit. “This blue economy could be a game-changer for countries all around the Mediterranean and even further afield.”

Baroudi, a 40-year veteran of the energy business who has helped shape both public and private policies on several continents, said that “the best, the cheapest, and the easiest way” to ensure timely and sustainable development for all

players to honor their obligations under international law.

“If these countries just do their basic duty under the United Nations Charter, which is to seek the peaceful resolution of disputes, we’ll already be halfway there,” Baroudi said. “If they also make policy decisions based on the principles of Euro-Med partnership, then everyone wins.”

Baroudi also mentioned that the EU, for instance, has a clear interest in promoting full Maritime demarcation, not just because it would remove uncertainties affecting its southern members, but also because it would open up new opportunities for the Euro-Mediterranean Partnership by continuing dialogue, reducing frictions and strengthening business ties.



Former Prime Minister of France, Francois Fillon and Energy expert Roudi Baroudi in discussions during the 4th EU-Arab World Summit in Athens, October 2019

“The peoples of the Mediterranean deserve the chance at affluence that new oil and gas revenues would provide. They

deserve the modern schools, hospitals, roads, and other infrastructure that would reinvigorate their economies, eliminate poverty, and reduce inequality .”

Baroudi concluded that it is very important to increase public awareness of the Maritime domain for the blue economy to really take hold all of the Euro Mediterranean Nations enjoy and to integrate fair, diplomatic, political, legal and scientific dimensions/approaches.

US, China ‘close to finalising’ parts of trade pact Phase 1



US and Chinese trade officials are “close to finalising” some parts of an agreement after high-level telephone discussions yesterday, the US Trade Representative’s office said, adding that deputy-level talks would proceed “continuously.”

In a statement issued after the call, the USTR provided no details on the areas of progress.

"They made headway on specific issues and the two sides are close to finalising some sections of the agreement.

Discussions will go on continuously at the deputy level, and the principals will have another call in the near future," it said.

The call came as Washington and Beijing are working to agree on the text for a "Phase 1" trade agreement announced by US President Donald Trump on October 11.

Trump has said he hopes to sign the deal with China's President Xi Jinping next month at a summit in Chile. Beijing was expected to request cancellation of some planned and existing US tariffs on Chinese imports during the phone call, people briefed on the negotiations told Reuters.

In return, China was expected to pledge to step up its purchases of US agricultural products.

The world's two largest economies are trying to calm a nearly 16-month trade war that is roiling financial markets, disrupting supply chains and slowing global economic growth.

"They want to make a deal very badly," Trump told reporters at the White House. "They're going to be buying much more farm products than anybody thought possible."

So far, Trump has agreed only to cancel an October 15 increase in tariffs on \$250bn in Chinese goods as part of understandings reached on agricultural purchases, increased access to China's financial services markets, improved protections for intellectual property rights and a currency pact.

But to seal the deal, Beijing is expected to ask Washington to drop its plan to impose tariffs on \$156bn worth of Chinese goods, including cell phones, laptop computers and toys, on December 15, two US-based sources told Reuters.

Beijing also is likely to seek removal of 15% tariffs imposed on September 1 on about \$125bn of Chinese goods, one of the sources said.

Trump imposed the tariffs in August after a failed round of

talks, effectively setting up punitive duties on nearly all of the \$550bn in US imports from China.

"The Chinese want to get back to tariffs on just the original \$250bn in goods," the source said.

Derek Scissors, a resident scholar and China expert at the American Enterprise Institute in Washington, said the original goal of the early October talks was to finalise a text on intellectual property, agriculture and market access to pave the way for a postponement of the December 15 tariffs.

"It's odd that (the president) was so upbeat with (Chinese Vice-Premier) Liu He and yet we still don't have the December 15 tariffs taken off the table," Scissors said.

US Treasury Secretary Steven Mnuchin last week said no decisions were made about the December 15 tariffs, but added: "We'll address that as we continue to have conversations."

If a text can be sealed, Beijing in return would exempt some US agricultural products from tariffs, including soybeans, wheat and corn, a China-based source told Reuters.

Buyers would be exempt from extra tariffs for future buying and get returns for tariffs they already paid in previous purchases of the products on the list.

But the ultimate amounts of China's purchases are uncertain.

Trump has touted purchases of \$40bn to \$50bn annually – far above China's 2017 purchases of \$19.5bn as measured by the American Farm Bureau.

One of the sources briefed on the talks said China's offer would start at around \$20bn in annual purchases, largely restoring the pre-trade-war status quo, but this could rise over time.

Purchases also would depend on market conditions and pricing.

US Trade Representative Robert Lighthizer has emphasised China's agreement to remove some restrictions on US genetically modified crops and other food safety barriers, which the sources said is significant because it could pave the way for much higher US farm exports to China.

The high-level call came a day after US Vice President Mike Pence railed against China's trade practices and what he

termed construction of a “surveillance state” in a major policy speech.

But Pence left the door open to a trade deal with China, saying Trump wanted a “constructive” relationship with Beijing.

While the US tariffs on Chinese goods has brought China to the negotiating table to address US grievances over its trade practices and intellectual property practices, they have so far failed to lead to significant change in China’s state-led economic model.

The “Phase 1” deal will ease tensions and provide some market stability, but is expected to do little to deal with core US complaints about Chinese theft and forced transfer of American intellectual property and technology.

The intellectual property rights chapter in the agreement largely deals with copyright and trademark issues and pledges to curb technology transfers that Beijing has already put into a new investment law, people familiar with the discussions said.

More difficult issues, including data restrictions, China’s cybersecurity regulations and industrial subsidies will be left for later phases of talks.

But some China trade experts said that a completion of a Phase 1 deal could leave little incentive for China to negotiate further, especially with a US election in 2020.

“US-China talks change very quickly from hot to cold but, the longer it takes to nail down the easy phase 1, the harder it is to imagine a phase 2 breakthrough,” said Scissors. Pages 2, 3 & 12

Africa May Have 90% of the World's Poor in Next 10 Years, World Bank Says



Africa could be home to 90% of the world's poor by 2030 as governments across the continent have little fiscal space to invest in poverty-reduction programs and economic growth remains sluggish, the World Bank said.

That's up from 55% in 2015 and it will happen unless drastic action is taken, the lender said in its biannual Africa Pulse report released Wednesday, in which it also cut growth forecasts for the region's key economies.

The rate of poverty reduction in Africa "slowed substantially" after the collapse in commodity prices that started in 2014, resulting in negative gross domestic product growth on a per capita basis, according to the report. "As countries in other regions continue to make progress in poverty reduction,

forecasts suggest that poverty will soon become a predominantly African phenomenon.”

While the poverty rate in sub-Saharan Africa, defined as the percentage of people living on less than \$1.90 per day, fell between 1990 and 2015, rapid population growth resulted in the number of poor people on the continent increasing to more than 416 million from 278 million over the same period, according to World Bank data.

The lender said pro-poor growth policies are required to accelerate poverty reduction and that fiscal tightening limits governments’ ability to spend on social sectors.

“Given the limited scope for redistribution and transfers to raise the incomes of the poor in most African countries, the focus should be squarely on raising their labor productivity, that is, what it will take to increase their earnings in self-employment or wage employment,” according to the report.

Government debt increased to 55% of GDP in 2018, from 36% in 2013 due to a lack of fiscal consolidation after countries tried to counter the effects of the global financial crisis by boosting spending, the World Bank said. About 46% of African countries were in debt distress or considered at high risk in 2018 compared with 22% five years earlier.

“For many countries it’s not a good idea to borrow non-concessionally because of the risk of the debt distress that they already have,” World Bank Vice President Akihiko Nishio said in an interview Oct. 2 in Ivory Coast’s commercial capital, Abidjan. “They should instead focus on concessional credits and grants.”

The lender lowered its economic growth forecast for sub-Saharan Africa to 2.6%, down from its April projection of 2.8%.

– *With assistance by Katarina Hoijs*

Budget realities pressure South Africa to stop policy dithering



South Africa's government has spent months mostly talking about how to save the debt-stricken state power utility Eskom Holdings SOC Ltd, spur economic growth and get its shaky finances back on track. Financial realities may force an end to the dithering.

The government will have to make some decisions by October 30, when Finance Minister Tito Mboweni is due to deliver his mid-term budget policy statement and set out how massive bailouts for Eskom will be funded at a time when growth and tax revenue are falling short of target. That's two days before Moody's Investors Service is scheduled to make a call on the nation's only remaining investment-grade credit rating.

"We are really running out of time," Isaac Matshego, an economist at Nedbank Ltd, said by phone. "The number one

priority for the government right now should be to stabilise the key state-owned enterprises, not only because they are failing operationally but also because they are a heavy burden on the fiscus.”

President Cyril Ramaphosa’s ability to push through unpopular policies is constrained by his tenuous hold on the deeply divided ruling African National Congress and opposition from its labour union and communist allies, who oppose privatisation, fearing job losses. The slow pace of reform has frustrated investors, driven business confidence to the lowest level since 1985 and weighed on the rand – it’s slipped 23% against the dollar since Ramaphosa took office in February last year.

Progress has been particularly slow when it comes to fixing Eskom, which supplies about 95% of the nation’s power and is seen as the biggest risk to the economy. The utility has been without a permanent chief executive officer since Phakamani Hadebe quit in July, isn’t generating enough revenue to cover its costs and has been allocated 128bn rand (\$8.4bn) in bailouts over three years to remain solvent.

The government signalled its intent to act decisively in August, as the Treasury asked departments to prepare budget proposals to cut their spending by an average 6% over the next three fiscal years – saving as much as 300bn rand. Eskom’s turnaround strategy is now due to be unveiled by the end of this month, as is its new CEO and the energy blueprint.

“Ramaphosa is now fully aware that he must be seen to be doing things and taking control and that the time for treading water is over,” Susan Booysen, director of research at the Mapungubwe Institute for Strategic Reflection, said by phone. “All those comments that he was a lame duck president and he was unable to control the factions in the ANC must have hit home.”

Even so, differences persist within the government and ruling party over how best to revive the economy.

While the Treasury suggested in August that Eskom could sell power plants to settle its 450bn rand of debt and that other

assets be privatised, these proposals failed to win public endorsement from the ANC. The party has traditionally sought to build consensus among its widely divergent constituents, which has all too often resulted in policy paralysis.

“The next steps will require political capital expenditure and that’s where things will get difficult,” said Peter Attard Montalto, head of capital markets research at research firm Intellidex. “Effecting major policy shifts will be both challenging and time-consuming.”

Eskom risk premium eases as Treasury offers bailout conditions



Bloomberg/ Johannesburg

Credit default swaps for Eskom Holdings SOC Ltd, South Africa's state-owned power company, are trading near the cheapest level in almost three years relative to the sovereign risk after the Treasury published proposed conditions for funds to bail out the utility.

That suggests investors are comfortable a turnaround plan for the debt-ridden company, which President Cyril Ramaphosa says will be presented to cabinet shortly, will include a sustainable framework to deal with its \$30bn of debt. The government has said it won't allow Eskom to fail or bondholders to take a haircut.

"It's about 10 years too late, but better than nothing," said Rashaad Tayob, a money manager at Abax Investments Ltd in Cape Town. "It's positive that there will be oversight on Eskom's capex, and a requirement that they must work to recover debtors in arrears. But nothing on energy and staff costs, so we must wait for the special paper/white paper to understand the long term plan to fix Eskom."

Eskom, which supplies about 95% of South Africa's electricity, has been granted 128bn rand of state bailouts over the next three years to help it remain solvent.

Amounts of 26bn rand and 33bn rand will be allocated in portions to Eskom in the 2020 and 2021 financial years on dates determined by the finance minister, the Treasury said in a presentation on its website Wednesday.

The conditions offered include that Eskom publish separate financial statements for its generation, distribution and transmission units. Treasury will also require daily liquidity position updates and for no incentive bonus payouts to be made to executives in the years where equity support is provided.

"The market is taking comfort from the fact that there is increased government oversight," said Bronwyn Blood, a fixed-interest portfolio manager at Granate Asset Management Ltd in Cape Town. "Conditions imposed on Eskom will ultimately allow for more certainty around repayment of debt, thus minimising the risk of default."

How Germany Deflected Pressure to Spend and Even Won an Ally



Explore what's moving the global economy in the new season of the Stephanomics podcast. Subscribe via Pocket Cast or iTunes.

Germany backed further off a full-scale economic stimulus at a meeting of global finance chiefs, a remarkable outcome given relentless calls for action from Europe, the U.S. and international institutions.

Germany's success in deflecting the pressure suggests that Finance Minister Olaf Scholz, who came to Washington with a list of counter-arguments, got off lightly from his Group of 20 colleagues at the annual International Monetary Fund conference ending Sunday.

U.S. Treasury Secretary Steven Mnuchin, who publicly suggested

Germany and China should enact growth-boosting policy measures, avoided singling out Europe's biggest economy behind closed doors, according to two people familiar with the private discussion who asked not to be identified.

Some other G-20 delegates repeated the IMF's general stance that governments with fiscal leeway should do more to strengthen the global economy. The Treasury didn't immediately respond to a request for comment.

"The chorus here in town is especially heavy on Germany to use its fiscal space," said Robin Brooks, chief economist at the Institute of International Finance, a Washington-based trade group for the financial industry.

German officials had prepared a detailed line of defense: that Chancellor Angela Merkel's government is already investing extensively, including an extra 54 billion euros (\$60 billion) in spending through 2032 to counter climate change.

'Very Positive'

Those arguments appeared to win some converts. IMF Managing Director Kristalina Georgieva said governments that have room to spend more used the meetings in Washington to make their case.

"What was very positive to hear during the meetings is countries with fiscal space are actually taking measures to stimulate the economy," Georgieva told reporters on Saturday. "Germany for example is putting forward a very sizable climate investment strategy that would bring significant growth and investment. They are also looking into what more could be done if necessary."

With a partial U.S.-Chinese trade agreement in sight and a Brexit deal on the horizon, Scholz was emboldened in his defense of a decade of fiscal prudence in Germany. He expressed growing confidence in the government's projection

that Germany's slowdown will be moderate and temporary.

"I think we did a lot," he said in a Bloomberg Television interview. "The more important question is what will happen to the global economy."

Don't Rush It

A "rushed fiscal response" isn't warranted as growth is expected to revive at the end of the year and success in China-U.S. talks would deliver an "immediate boost" to the economy, Scholz told reporters.

For all the artful dodging, Scholz faced a broad front of finance ministers, central bankers and economists pointing at Germany to do more. On Thursday, the government in Berlin cut its 2020 growth forecast to 1% from the previous 1.5%. Data due next month may show the economy slipped into recession.

To shift the blame game on slow growth and inflation away from central banks, former European Central Bank official Lorenzo Bini Smaghi said governments, including Germany, have a role to play in stepping up borrowing and spending to support growth.

"If fiscal policy in Germany and other countries are not willing to do that job, it is too easy to blame the central bank," he said on a panel.

Low or negative interest rates in many countries leave little room for monetary policy, South African Reserve Bank Governor Lesetja Kganyago said in an interview.

"Countries with fiscal space must utilize the fiscal space," he said.

Eurozone's €140bn interest windfall could allow spending boost



LONDON (Reuters) – Record-low borrowing costs and falling debt payments could give the euro zone a 140 billion-euro windfall by the end of 2021, freeing cash for projects ranging from new roads to climate protection.

This year's slide in borrowing costs has put the bloc's finances in a far stronger position – cutting the interest rates it pays, allowing governments to cheaply refinance older debt, and above all leaving them with cash in hand.

That's bolstering the case of those who argue the euro zone can and should spend its way out of economic doldrums. With Germany teetering near recession and the European Central Bank's monetary policy looking maxed out, many now regard government spending as the key to lifting growth and

inflation.

At current yields, euro zone governments will save an average 0.10% of gross domestic product in interest this year, or almost 12 billion euros, Frank Gill, senior director in the sovereigns team at ratings agency S&P Global, estimates.

Savings would rise to 0.25% of GDP in 2020 and 0.80% in 2021, Gill says, noting this was above already expected savings, and the long tenor of euro securities means debt savings increase over time.

The savings would total around 140 billion euros – to put that in context, pent-up demand in Germany for public investment amounts to 138 billion euros, state-owned development bank KfW estimates.

“It is very significant, this is a windfall really,” Gill said. “Since 2013-14, the decline in interest expenditure to GDP, especially in places like Italy and Spain, has given governments some breathing space.

“(Savings will be)much greater for those sovereigns which have seen larger yield compression, namely, Italy, Portugal, and Spain, and the savings snowball over the next two years.”

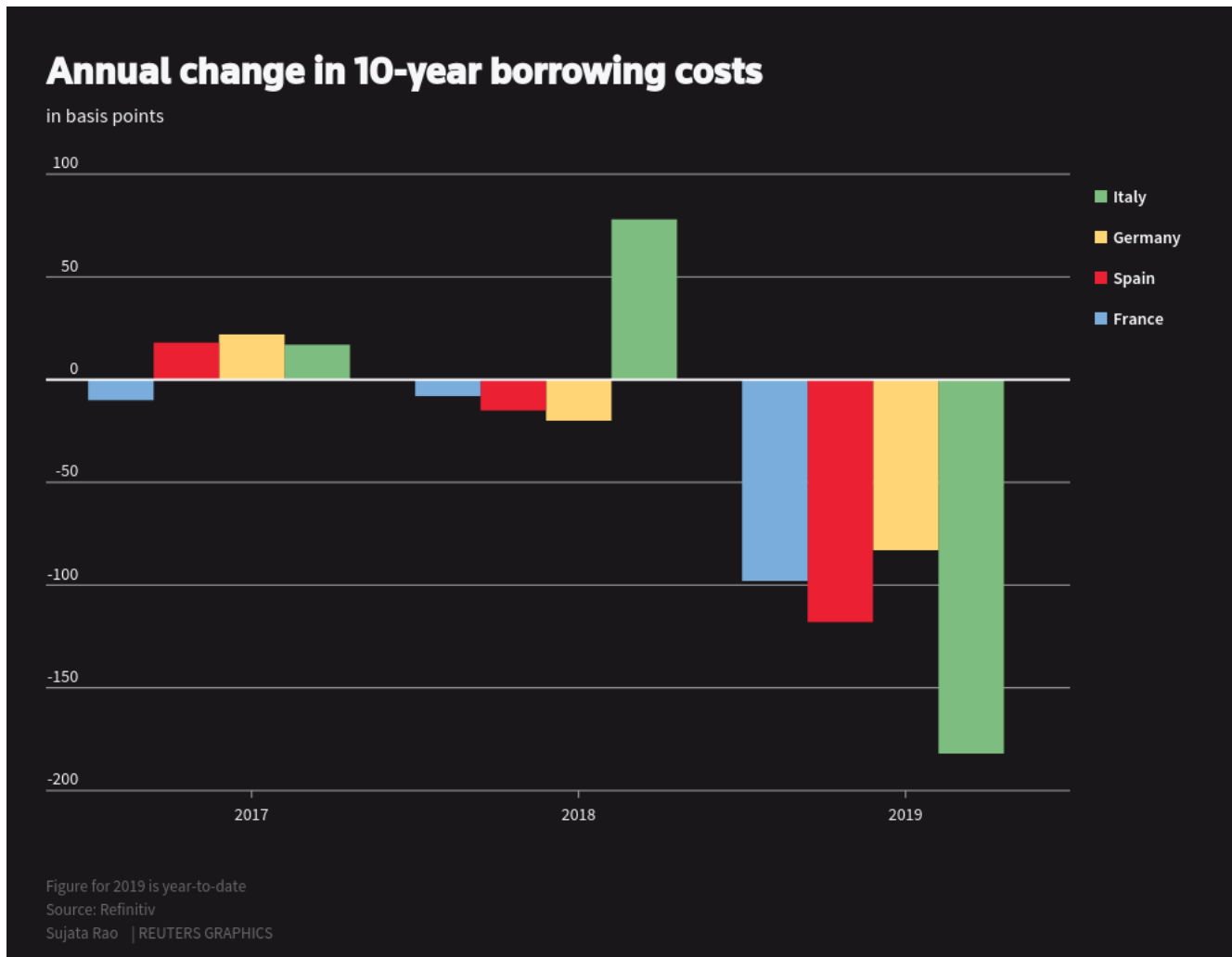
According to Societe Generale, a 10-basis-point drop in bond yields translates into roughly a fall in interest payments of 0.35% of GDP for Italy, 0.27% in Spain, 0.22% in France and 0.16% in Germany.

From environment projects in Germany to greater education and welfare spending in Italy and infrastructure improvements across the euro zone, the fall in borrowing costs could finally spell the end of austerity.

Ten-year bond yields, the usual reference rate for borrowing costs, have fallen by half to two-thirds this year. With the ECB resuming rate cuts and dropping time constraints on asset

purchases, yields have little impetus to rise.

(Graphic: Annual fall in 10-year EZ borrowing costs , here)



Until now, euro zone monetary stimulus has effectively been counteracted by stringent budgets. ECB President Mario said last week that if fiscal measures had been in place, they would have complemented central bank policy and boosted growth.

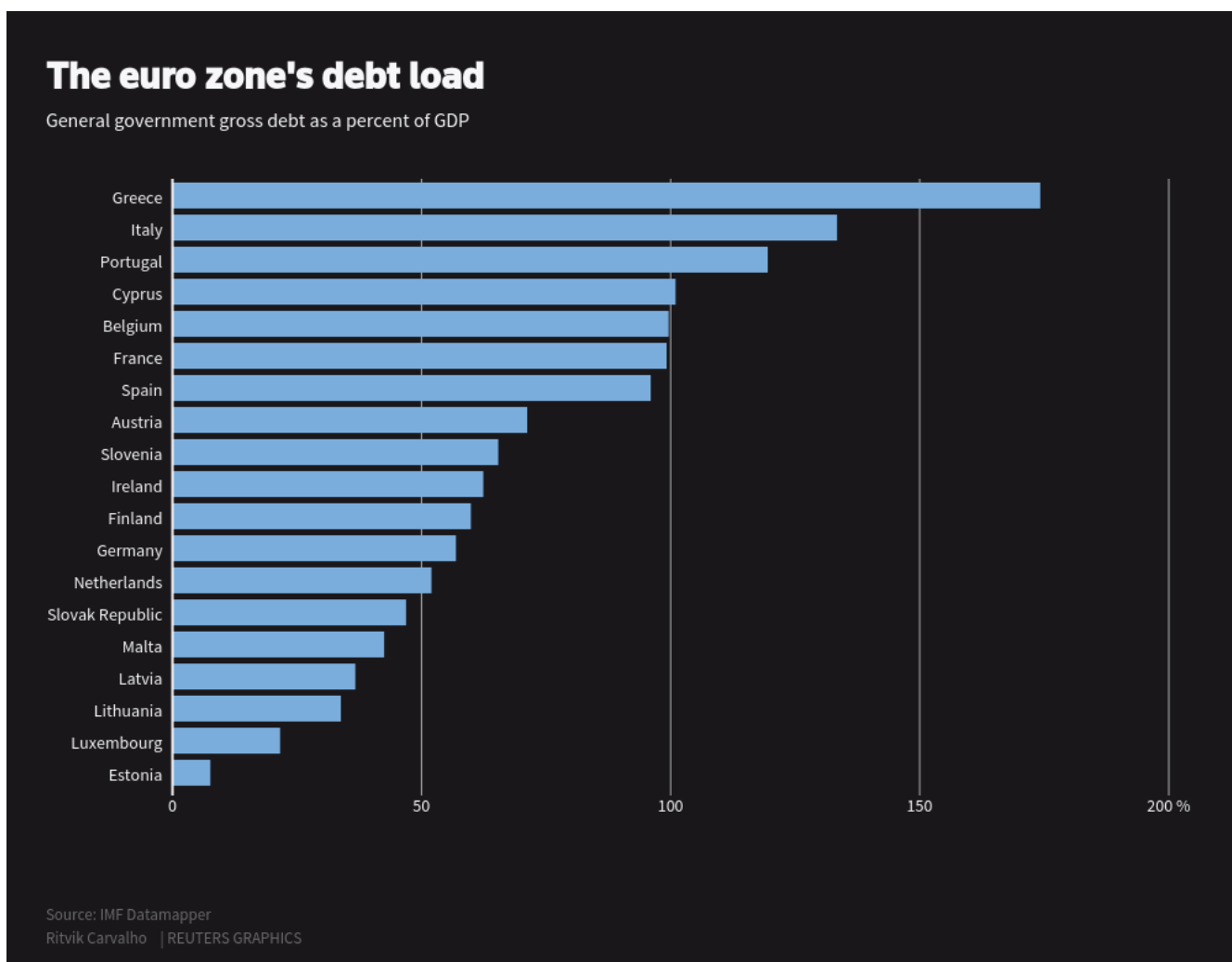
Globally too, there is a perception that central banks are nearing the limits of what they can achieve. Former U.S. Treasury official Lawrence Summers calls it “black hole monetary economics”, where small rate changes and aggressive stimulus strategies have only limited impact.

Jorge Garayo, senior rates strategist at Societe Generale, noted that U.S. President Donald Trump’s fiscal spending plans

had boosted inflation expectations in 2016.

“That had a much bigger impact than QE (quantitative easing),” he said. “With diminishing returns from monetary policy easing, the only thing that could push (Europe’s) inflation expectations sustainably higher is if we go through a credible fiscal stimulus, most likely coordinated in some way.”

(Graphic: The euro zone’s debt load, here)



OPPORTUNITY KNOCKS

Euro zone governments have been saving on interest for years as ECB QE drove down yields. The savings amounted to almost 2% of GDP since 2008, Unicredit estimates.

The question is, will the budget room now being created persuade fiscal hawk Germany to drop its opposition to more

saved over 160 billion euros in interest since 2008. This year's windfall, following a 70-basis-point slide in 10-year yields, may exceed 5 billion euros, Reuters has reported.

Stewart Robertson, senior economist at Aviva Investors reckons if Germany's 10-year bond yields stay around -0.50% and it can raise debt at this level for four to five years, it would save some 15 billion to 20 billion euros annually.

There are caveats. Lower yields can take years to feed through. Benefits accrue only when yields fall and stay low for some time. Persistently low yields would also signal economic weakness, in turn threatening tax receipts.

ITALIAN JOB

Italy, one of the bloc's most indebted members, probably has most cause to celebrate low yields. Desperate to revive its sluggish economy, it has frequently clashed with EU authorities for overstepping spending limits.

Now, though, the tumble in its 10-year borrowing costs, to 0.9% from 2.6% in early 2019, is defusing concern over its 2020 budget, due to be submitted next month.

Assuming unchanged yields, Rome can save up to 20 billion euros a year in interest payments, or 1% of annual economic output, Pictet Wealth Management strategist Frederik Ducrozet calculates. That assumes interest payments are spread over the years and yields stay low.

The government hopes to use that budget leeway to avoid an upcoming sales tax increase. Ducrozet noted the Bank of Italy is also profiting from its 400 billion euros of bond holding, most of it bought under ECB QE. That will partly be redistributed to state funds.

"In plain English, the Treasury is saving money on all fronts, probably over 1% of GDP on an annual basis," Ducrozet said.

“If the political situation were to improve for whatever reason – arguably a big IF – the fiscal picture would improve dramatically.”